

**ARABIAN CEMENT COMPANY**  
(Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021  
with  
**INDEPENDENT AUDITOR'S REPORT**



## KPMG Professional Services

Zahran Business Center  
Prince Sultan Street  
P.O. Box 55078  
Jeddah 21534  
Kingdom of Saudi Arabia  
Commercial Registration No 4030290792

Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

مركز زهران للأعمال  
شارع الأمير سلطان  
ص.ب 55078  
جده 21534  
المملكة العربية السعودية  
سجل تجاري رقم 4030290792  
المركز الرئيسي في الرياض

# Independent Auditor's Report

To the Shareholders of the Arabian Cement Company  
Saudi Joint Stock Company

## Opinion

We have audited the consolidated financial statements of the Arabian Cement Company ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and, comprehensive, changes in equity and, cash flows for the year then ended, and accompanying notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

## Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are 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.

## 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 period. 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.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (25,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس ماله (25,000,000) ريال سعودي مدفوع بالكامل، الصمماة سابقاً لشركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". و هي عضو غير شريك في الشبكة العالمية لشركت كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة

Commercial Registration of the headquarters in Riyadh is 1010425494.



# Independent Auditor's Report

To the Shareholders of the Arabian Cement Company (continued)  
Saudi Joint Stock Company

## Key audit matter (1)

Referring to note (6) for the accounting policy of the revenue realization and Note (25) for the disclosure of contracts with customers.

### How the matter was addressed in our audit

The auditing procedures we performed in relation to sales revenue included, among other procedures, the following:

- Evaluating the appropriateness of the Group's accounting policies related to recognition of income from sales, including those related to discounts and incentives, as well as assessing compliance with the requirements of applicable accounting standards.
- Evaluated the design and implementation of the internal control procedures related to revenue recognition, including anti-fraud control procedures.
- Performed analytical audit of the revenue, to determine if there are any significant trends or fluctuations that need additional action in light of our understanding of current market conditions.
- Based on the sample, we performed audit procedures for revenue transactions according to their supporting documentation, to verify that they are documented and to verify that they were recorded in the correct accounting period.
- We have made cut-off procedures about the timing of recognizing revenue from sales after the products are delivered to customers and recorded within the right accounting period.

### Revenue recognition

During the year ended 31 December 2021, revenue from sales amounting to SR 1.03 billion was recognized.

Revenue from sales is recognized when a customer obtains controls of the goods and this is done upon acceptance and delivery of the goods to the customer and issuance of a sales invoice in accordance with the requirements of IFRS 15, Revenue from contracts from clients.

Revenue is one of the core indicators for measuring performance, and consequently, there are inherent risks through recognizing revenue with more than its actual value in order to increase profitability. Therefore, the revenue recognition process has been considered as a key audit matter.



# Independent Auditor's Report

To the Shareholders of the Arabian Cement Company (continued)  
Saudi Joint Stock Company

## Key audit matter (2)

With reference to note (6) of the accounting policy related to the impairment of property, plant and equipment and also note (7) related to the disclosure of property, plant, and equipment.

### How the matter was addressed in our audit

The auditing procedures we performed in relation to impairment of property, plant and equipment included, among other procedures, the following:

- Obtained an understanding of the Management's procedures for studying the extent of the presence of indicators of impairment of property, machinery and equipment in accordance with the requirements of the relevant International Financial Reporting Standards, as well as indicators supporting the reversal of previously recognized impairment losses, if any.
- Evaluated the design and implement of the internal control procedures related to the estimation of the impairment of property, plant and equipment.
- Used our specialist to test the main assumptions that the Management used in the study and the assessment of the reasonableness of the assumptions and the bases that have been used to prepare the study of future cash flows approved by the Management of the Group.
- Assessed the adequacy of disclosures in relation to the allowance for impairment losses.

### Impairment of Property, Plant and Equipment

As at 31 December 2021, the net book value of property, plant and equipment amounted to SR 2.2 billion.

The risks related to the valuation of property, plant and equipment represent the presence of risks relating to the possibility of impairment, if indicators are there.

The impairment of property, plant and equipment is therefore considered a key audit matter due to significant judgments and assumptions included in the impairment assessment procedures and study.



# Independent Auditor's Report

To the Shareholders of the Arabian Cement Company (continued)  
Saudi Joint Stock Company

Key audit matter (3)	
With reference to note (6) related to the accounting policy for Impairment of investments in equity-accounted investees, as well as note No. (10) related to the disclosure of investments in equity-accounted investees.	
How the matter was addressed in our audit	Impairment of investments in equity-accounted investees
<p>The auditing procedures we performed in relation to impairment of investments in the equity-accounted investees included, among other procedures, the following:</p> <ul style="list-style-type: none"><li>- Assessed the appropriateness of the Group's accounting policies for recognition and measurement of equity accounted investees in line with the requirements of International Financial Reporting Standards (IFRS);</li><li>- Assessed the design and implementation of the Group's controls around recognition and subsequent measurement of equity accounted investments including the impairment assessment process;</li><li>- Assessed the procedures followed by the Management to estimate the cash flow projections of the equity-accounted investees;</li><li>- Used our specialists to test the underlying assumptions used in addition to the reasonableness of key assumptions of the Management regarding estimated future cash flows, growth and discount rates;</li><li>- Evaluated the adequacy of the disclosures regarding the decrease of the investments in equity-accounted investees.</li></ul>	<p>As at 31 December 2021, the net carrying value of equity-accounted investments amounted to SR 54.6 million.</p> <p>The investments are accounted for using the equity method, in accordance with the requirements of International Financial Reporting Standards (IFRS).</p> <p>The impairment of the investments in equity-accounted investees was considered as a key audit matter due to the existence of substantial assumptions and estimates related to the study of calculating the impairment of the mentioned investments.</p>



# Independent Auditor's Report

To the Shareholders of the Arabian Cement Company (continued)  
Saudi Joint Stock Company

## Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' 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 annual report, when made available to us, 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 IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of (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, Audit Committee, are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism 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.



# Independent Auditor's Report

To the Shareholders of the Arabian Cement Company (continued)  
Saudi Joint Stock Company

## 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 Branch to express an opinion on the 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 of the **Arabian Cement Company ("the Company") and its subsidiaries**.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and 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 auditors' 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.

### KPMG Professional Services

Ebrahim Oboud Baeshen  
License No. 382

Jeddah, 1 March 2022  
Corresponding to 28 Rajab 1443H



**ARABIAN CEMENT COMPANY**  
(Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2021

	Note	<b>31 December 2021 SR ('000)</b>	31 December 2020 SR ('000) (Restated - Note 38)	1 January 2020 SR ('000) (Restated - Note 38)
<b>Assets</b>				
Property, plant and equipment	7	<b>2,198,564</b>	2,329,743	2,433,677
Intangible assets	8	<b>14,314</b>	15,477	16,644
Investment properties	9	<b>5,700</b>	5,700	5,700
Investments in equity-accounted investees	10	<b>54,554</b>	48,343	57,442
Equity instruments at FVOCI	11	<b>149,664</b>	179,981	137,494
Deferred income tax	24	<b>21,950</b>	27,069	25,445
Right-to-use assets	32-a	<b>4,665</b>	5,130	5,412
<b>Non-current assets</b>		<b>2,449,411</b>	2,611,443	2,681,814
Inventories	13	<b>408,357</b>	547,927	580,238
Derivative financial instrument		--	--	3
Trade receivables	14	<b>204,287</b>	221,900	230,330
Prepayments and other receivables	15	<b>17,619</b>	21,702	21,798
Financial investments at amortized cost	12	<b>210,000</b>	--	--
Cash at banks	16	<b>143,436</b>	234,428	143,899
<b>Current assets</b>		<b>983,699</b>	1,025,957	976,268
<b>Total assets</b>		<b>3,433,110</b>	3,637,400	3,658,082
<b>Shareholders' equity and liabilities</b>				
<b>Equity attributable to shareholders of the Company</b>				
Share capital	17	<b>1,000,000</b>	1,000,000	1,000,000
Share premium	17	<b>293,565</b>	293,565	293,565
Statutory reserve	18	<b>500,000</b>	500,000	500,000
General reserve	19	<b>95,000</b>	95,000	95,000
Foreign currency translation reserve		<b>(561)</b>	(561)	(561)
FVOCI equity instruments assessment reserve		<b>91,760</b>	122,077	79,590
Retained earnings		<b>769,930</b>	862,693	876,418
<b>Total equity attributable to Company's shareholders</b>		<b>2,749,694</b>	2,872,774	2,844,012
Non-controlling interests	20	<b>83,632</b>	75,174	68,758
<b>Total shareholders' equity (after)</b>		<b>2,833,326</b>	2,947,948	2,912,770

The attached notes 1 to 39 of these consolidated financial statements.



**ARABIAN CEMENT COMPANY**  
(Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

As at 31 December 2021

	Note	<b>31 December 2021 SR ('000)</b>	31 December 2020 SR ('000) (Restated - Note 38)	1 January 2020 SR ('000) (Restated - Note 38)
Before		<b>2,833,326</b>	2,947,948	2,912,770
Long term loans and facilities	21	<b>248,674</b>	322,722	330,571
Employees' defined benefit obligations	22	<b>54,311</b>	49,743	52,629
Deferred Tax Liabilities	24-d	<b>56,116</b>	56,116	56,116
Lease obligations	32-b	<b>4,319</b>	4,632	4,776
<b>Non-current liabilities</b>		<b>363,420</b>	433,213	444,092
Long-term loans and facilities - current portion	21	<b>7,934</b>	10,578	89,090
Trade and other payables	23	<b>195,668</b>	211,136	173,967
Zakat and income tax payable	24-a	<b>19,793</b>	21,510	22,345
Dividend payable	26	<b>12,346</b>	12,366	15,179
Lease obligations	32-b	<b>623</b>	649	639
<b>Current liabilities</b>		<b>236,364</b>	256,239	301,220
<b>Total liabilities</b>		<b>599,784</b>	689,452	745,312
<b>Total shareholders' equity and liabilities</b>		<b>3,433,110</b>	3,637,400	3,658,082

The accompanying notes 1 to 39 of these consolidated financial statements.

These consolidated financial statements were approved for issuance by the Board of Directors on 27 February 2022, and signed on their behave by:

Mr. Moataz Mohamed  
Mortadha

Mr. Badr Osama Jawhar

Eng. Mutaaz Qusai Al-  
Azawi

\_\_\_\_\_  
Vice President of Finance

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Authorized Board of  
Directors Member

**ARABIAN CEMENT COMPANY**  
(Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

For the year ended 31 December 2021

	Note	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Revenues	25	1,033,205	871,916
Cost of sales	25	(724,266)	(569,375)
<b>Gross profit</b>		<b>308,939</b>	302,541
Selling and distribution expenses	27	(40,168)	(26,449)
General and administrative expenses	28	(57,424)	(45,275)
Provision for impairment of property, plant and equipment	7	(16,135)	--
<b>Operating income</b>		<b>195,212</b>	230,817
Dividend from investment in equity instruments at fair value	11	8,006	9,608
Group's share of results of equity-accounted investees	10	6,150	(9,010)
Finance costs	36	(18,819)	(25,280)
Losses of evaluation of financial derivatives		--	(3)
Other income, net	30	8,633	6,544
<b>Profit before Zakat and income tax</b>		<b>199,182</b>	212,676
Zakat	24-a	(17,371)	(19,092)
Deferred income tax	24-b	(11,833)	(2,225)
<b>Profit for the year</b>		<b>169,978</b>	191,359
<b><u>Profit for the year attributable to:</u></b>			
Shareholders of the Company		161,520	184,943
Non-controlling interests	20	8,458	6,416
		<b>169,978</b>	191,359
<b><u>Earnings per share for the year attributable to shareholders of the Company (SR):</u></b>			
Basic	31	1.62	1.85
Diluted		1.62	1.85

The accompanying notes 1 to 39 of these consolidated financial statements.

These consolidated financial statements were approved for issuance by the Board of Directors on 27 February 2022, and signed on their behalf by:

Mr. Moataz Mohamed  
Mortadha

Mr. Badr Osama Jawhar

Eng. Mutaaz Qusai Al-  
Azawi

Vice President of Finance

Chief Executive Officer

Authorized Board of  
Directors Member

**ARABIAN CEMENT COMPANY**  
(Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2021

	<u>Note</u>	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Profit for the year		<u>169,978</u>	<u>191,359</u>
<b><u>Items of (loss) / other comprehensive income:</u></b>			
<b>Items that are or may be reclassified subsequently to the statement of profit or loss:</b>			
(Loss) / gains from actuarial revaluation	22-b	(4,344)	1,421
Unrealized (loss) / gains on investments in equity instruments at FVOCI	11	(30,317)	42,487
Group's share of other comprehensive loss for equity-accounted investees	10	<u>61</u>	<u>(89)</u>
Total other comprehensive (loss) / income		<u>(34,600)</u>	<u>43,819</u>
Total comprehensive income for the year		<u><u>135,378</u></u>	<u><u>235,178</u></u>
<b><u>Total comprehensive income attributable to:</u></b>			
Shareholders of the Company		126,920	228,762
Non-controlling interests		<u>8,458</u>	<u>6,416</u>
Total comprehensive income for the year		<u><u>135,378</u></u>	<u><u>235,178</u></u>

The attached notes 1 to 39 of these consolidated financial statements.

These consolidated financial statements were approved for issuance by the Board of Directors on 27 February 2022, and signed on their behave by:

Mr. Moataz Mohamed  
Mortadha

Mr. Badr Osama Jawhar

Eng. Mutaaz Qusai Al-  
Azawi

\_\_\_\_\_  
Vice President of Finance

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Chief Executive Officer

\_\_\_\_\_  
Authorized Board of  
Directors Member

**ARABIAN CEMENT COMPANY**  
(Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

For the year ended 31 December 2021

	Equity attributable to shareholders of the Company									
	Share Capital SR ('000)	Share premium SR ('000)	Statuary reserve SR ('000)	General reserve SR ('000)	Foreign currency translation reserve SR ('000)	FVOCI equity instruments assessment reserve SR ('000)	Retained earnings SR ('000)	Total equity attributable to Company's shareholders SR ('000)	Non- controlling interests SR ('000)	Total equity SR ('000)
<b>Balance as at 1 January 2021</b> (Restated - Note 38)	<b>1,000,000</b>	<b>293,565</b>	<b>500,000</b>	<b>95,000</b>	<b>(561)</b>	<b>122,077</b>	<b>862,693</b>	<b>2,872,774</b>	<b>75,174</b>	<b>2,947,948</b>
Profit for the year	--	--	--	--	--	--	161,520	161,520	8,458	169,978
Other comprehensive loss	--	--	--	--	--	(30,317)	(4,283)	(34,600)	--	(34,600)
<b>Total comprehensive income</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(30,317)</b>	<b>157,237</b>	<b>126,920</b>	<b>8,458</b>	<b>135,378</b>
<b><u>Transactions with shareholders of the Company</u></b>										
Dividend distributed (note 26)	--	--	--	--	--	--	(250,000)	(250,000)	--	(250,000)
<b>Balance at 31 December 2021</b>	<b>1,000,000</b>	<b>293,565</b>	<b>500,000</b>	<b>95,000</b>	<b>(561)</b>	<b>91,760</b>	<b>769,930</b>	<b>2,749,694</b>	<b>83,632</b>	<b>2,833,326</b>

The attached notes 1 to 39 of these consolidated financial statements.

**ARABIAN CEMENT COMPANY**  
(Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)**

For the year ended 31 December 2021

	Equity attributable to shareholders of the Company									
	Share Capital SR ('000)	Share premium SR ('000)	Statuary reserve SR ('000)	General reserve SR ('000)	Foreign currency translation reserve SR ('000)	FVOCI equity instruments assessment reserve SR ('000)	Retained earnings SR ('000)	Total equity attributable to Company's shareholders SR ('000)	Non- controlling interests SR ('000)	Total equity SR ('000)
Balance as at 1 January 2020 (as previously reported)	1,000,000	293,565	500,000	95,000	(561)	79,590	915,415	2,883,009	74,719	2,957,728
Correction of previous years' errors (note 38)	--	--	--	--	--	--	(38,997)	(38,997)	(5,961)	(44,958)
Balance as at 1 January 2020 (Restated - Note 38)	1,000,000	293,565	500,000	95,000	(561)	79,590	876,418	2,844,012	68,758	2,912,770
Profit for the year	--	--	--	--	--	--	184,943	184,943	6,416	191,359
Other comprehensive income	--	--	--	--	--	42,487	1,332	43,819	--	43,819
<b>TOTAL COMPREHENSIVE INCOME</b>	--	--	--	--	--	42,487	186,275	228,762	6,416	235,178
<b>Transactions with shareholders of the Company</b>										
Dividend distributed (note 26)	--	--	--	--	--	--	(200,000)	(200,000)	--	(200,000)
Balance at 31 December 2020 (Restated - Note 38)	1,000,000	293,565	500,000	95,000	(561)	122,077	862,693	2,872,774	75,174	2,947,948

The accompanying notes 1 to 39 of these consolidated financial statements.

These consolidated financial statements were approved for issuance by the Board of Directors on 27 February 2022, and signed on their behalf by:

Mr. Moataz Mohamed Mortadha

Vice President of Finance

Mr. Badr Osama Jawhar

Chief Executive Officer

Eng. Mutaaz Qusai Al-Azawi

Authorized Board of Directors Member

**ARABIAN CEMENT COMPANY**  
(Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2021

	<u>Note</u>	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
<b><u>Operating activities</u></b>			
Profit for the year before Zakat and income tax		<b>199,182</b>	212,676
<b>Adjustments:</b>			
Depreciation on property, plant and equipment	7	<b>140,467</b>	139,192
Adjustments to property, plant and equipment	7	<b>3,558</b>	--
Amortization on intangibles assets	8	<b>1,197</b>	1,167
Amortization of right to use assets		<b>374</b>	387
Group's share of results of equity-accounted investees	10	<b>(6,150)</b>	9,010
Dividends from equity instruments at FVOCI	11	<b>(8,006)</b>	(9,608)
Provision for impairment of property, plant and equipment		<b>16,135</b>	--
Profit from disposal of property, plant and equipment		<b>(38)</b>	--
Losses on the assessment of ineffective portion of financial derivatives		--	3
Provision for write down in the value of inventory		<b>727</b>	6,851
Reversal of trade receivables provision		<b>(747)</b>	--
Finance costs		<b>18,819</b>	25,280
Employee defined benefit obligation charge for the year	22-b	<b>5,035</b>	3,805
		<b>370,553</b>	388,763
<b>Changes in working capital:</b>			
Trade receivables, prepayments and other debit balances		<b>15,729</b>	(2,632)
Inventories		<b>138,843</b>	25,460
Trade receivables, accrued amounts and dividends		<b>(15,468)</b>	44,478
		<b>509,657</b>	456,069
Finance costs paid		<b>(18,439)</b>	(24,874)
Zakat and income tax paid	24-a	<b>(19,088)</b>	(19,927)
Employees defined benefit obligations - paid	22-b	<b>(4,811)</b>	(5,270)
<b>Net cash provided by operating activities</b>		<b>467,319</b>	405,998
<b>Investing activities</b>			
Additions of property, plant and equipment	7	<b>(28,994)</b>	(35,382)
Additions of intangible assets		<b>(34)</b>	--
Dividends from equity instruments at FVOCI	11	<b>8,006</b>	9,608
Proceeds from sale of property plant and equipment		<b>51</b>	124
Financial investments at amortized cost	12	<b>(210,000)</b>	--
<b>Net cash used in investing activities</b>		<b>(230,971)</b>	(25,650)
<b>Financing activities</b>			
Proceeds from loan from shareholders	21-e	<b>70,000</b>	15,867
Payment from long-term borrowings	21-e	<b>(146,692)</b>	(102,228)
Payment of lease obligations		<b>(628)</b>	(645)
Dividends distributed	26	<b>(250,020)</b>	(202,813)
<b>Net cash used in financing activities</b>		<b>(327,340)</b>	(289,819)

The accompanying notes 1 to 39 of these consolidated financial statements.



**ARABIAN CEMENT COMPANY**  
(Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**  
For the year ended 31 December 2021

	<u>Note</u>	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Change in cash and cash equivalents during the year (of before)		<b>(90,992)</b>	90,529
Cash and cash equivalents as at the beginning of the year	16	<u><b>234,428</b></u>	<u>143,899</u>
<b>Cash and cash equivalents at 31 December</b>	16	<u><b>143,436</b></u>	<u>234,428</u>
<b>Significant non-cash transactions</b>			
Tax refunds related to deferred tax obligations		<b>6,714</b>	--
Net losses from investment in equity instruments at FVOCI	11	<b>(30,317)</b>	42,487
Deferred tax liability		<b>6,714</b>	7,309
Employees defined benefits		<b>(4,344)</b>	1,421
Right-to-use assets		<u><b>91</b></u>	<u>105</u>

The accompanying notes 1 to 39 of these consolidated financial statements.

These consolidated financial statements were approved for issuance by the Board of Directors on 27 February 2022, and signed on their behalf by:

Mr. Moataz Mohamed  
Mortadha

Mr. Badr Osama Jawhar

Eng. Mutaaz Qusai Al-  
Azawi

\_\_\_\_\_  
Vice President of Finance

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Authorized Board of  
Directors Member

**ARABIAN CEMENT COMPANY**  
(Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

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**1. CORPORATE INFORMATION**

Arabian Cement Company (the “Company” or the “Parent Company”) is a Saudi Joint Stock Company incorporated in accordance with the Companies’ Regulations in the Kingdom of Saudi Arabia under the Royal Decree No. 731 dated 12 Jumada Al-Oula 1374H (5 January 1955) and the Company works under the commercial registry No. 4030000148 Jeddah, 14 Ramadan 1376 H (corresponding to 13 April 1957).

The Company’s shares are listed in the Capital Market Authority in the Kingdom of Saudi Arabia. The Parent Company is owned by 6.67% to a major shareholder, while 93.33% is owned by other shareholders as at 31 December 2021(31 December 2020: 7.54% by major shareholders and 92.46% by other shareholders).

The main activity of the Company is as follows:

1. Production of cement, construction materials and other related materials and derivatives inside and outside the Kingdom of Saudi Arabia.
2. Trading of clinker, cement, construction materials and other related materials and derivatives inside and outside the Kingdom of Saudi Arabia.
3. Utilization of mines and establishing of factories and stores for the Company’s purposes which are needed in manufacturing, storage, selling, purchase, exporting and importing and other complementary and supportive industries.

To achieve these purposes, the Company has the right to enter into all types of contracts of properties and movable assets within the limits if the applicable regulations.

The registered address of the Company is Arabian Cement Company building, 8605 King Abdulaziz Road, Nahdha District, Jeddah 23523-2113, Kingdom of Saudi Arabia.

As at 31 December 2021 and 31 December 2020, the Company has direct and indirect investments in the following subsidiaries (collectively referred as the “Group”), which have been consolidated in the accompanying consolidated financial statements:

The details of the subsidiaries are as follow:

<b><u>Subsidiary</u></b>	<b><u>Principal activity</u></b>	<b><u>Country of incorporation</u></b>	<b><u>% of direct holding</u></b>	
			<b><u>2021</u></b>	<b><u>2020</u></b>
Bahrain Arabian Cement Holding Company (“Bahrain Cement Company”)	Holding company	Kingdom of Bahrain	100%	100%

At 5 November 2007, Bahrain Arabian Cement Holding Company has been established as an individual Company registered in the Kingdom of Bahrain with the purpose of managing its subsidiaries and to invest in shares, bonds and securities and to own properties and movable assets necessary to its operations and to provide loans and has facilities to provide loans warranties and financing for its subsidiaries.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**1. COMPANY INFORMATION (continued)**

Bahrain Cement Company has a single investment in the following subsidiary:

<u>Subsidiary</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Indirect ownership (%)</u>	
			<u>2021</u>	<u>2020</u>
Qatrana Cement Joint Stock Private Company (“Qtrana Cement Company”)	Cement production	Kingdom of Jordan	<b>86.74%</b>	86.74%

Bahrain Arabia Cement Holding Company owns 86.74% of Qatrana Cement Joint Stock Company’s shares and holds control over its business and management, and thus, Qatrana Cement Company is considered an indirectly owned subsidiary by the Parent Company and consolidated in these consolidated financial statements. Qatrana Cement Company’s activity is represented in the production of black portland cement, white cement and calcium carbonate.

**2. BASIS OF PREPERATION**

**2.1 Statement of compliance**

The accompanying financial statements have been prepared in accordance with the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization of Chartered and Professional Accountants (SOCPA).

At the beginning of the financial year 2020, the Corona pandemic (Covid 19) swept the world, causing disturbances in the economic and commercial sectors in general, and the Company’s management has proactively assessed its impacts on its operations and has taken a series of preventive measures to ensure the health and safety of its employees and workers. Despite these challenges, the Group’s business and operations are currently still affected, the primary demand from customers for the Group’s products has not been affected, with the demand increasing during the current year. Based on these factors, the Company’s management believes that the Covid-19 pandemic did not have a material impact on the financial results that were reported for the year ending 31 December 2021. The Company continues to closely monitor the development of the pandemic even though the management at this time is not aware of any expected factors that may change the impact of the pandemic on the Group’s operations during or after 2022. The Company’s management has made an assessment of its ability to continue as a going concern and is satisfied that the Company 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 upon the Company’s ability to continue as a going concern. Therefore, the Company continues to prepare the financial statements on the going concern basis. The Company’s management is currently monitoring the situation and the extent of its impact on the Company’s operations, cash flows and financial position. The management believes, based on its assessment, that the Company has sufficient liquidity available to continue fulfilling its financial obligations in the foreseeable future as and when they fall due.

Accounting policies applied by the Company are set out in note (6).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

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**2. BASIS OF PREPARATION (continued)**

**2.2 Basis of measurement**

The consolidated financial statements have been prepared on historical cost basis, except for the following major items presented in consolidated statement of financial position:

- Equity investments are measured at Fair Value through Other Comprehensive Income
- Defined benefits obligations accruals for future obligations are recognised based on the expected credit unit method.

**3. FUNCTIONAL AND PRESENTATION CURRENCY**

These financial statements are prepared in Saudi Arabian Riyals (SR) which is the Parent Company's functional and presentation currency of the Group. All amounts have been rounded off to the nearest thousand Saudi Riyal unless otherwise stated.

**4. USE OF JUDGEMENTS AND ESTIMATES**

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and actual results may differ from these estimates.

Estimates and assumptions are based on previous experience and factors that may include expecting suitable future events which are used to extend book period of dependent assets and liabilities from other resources and estimates and assumptions are continuously being evaluated. Revised accounting estimates are reviewed in the period in which the estimates are revised in the audit period and future periods, if the changed estimates affect current and future periods.

Significant judgments made by the management upon the adopting the Company's accounting policies correspond to the disclosed policies in last year's financial statements.

Information about significant estimates and uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements are described in the following notes:

**Impairment of trade receivables**

The impairment of trade receivables is considered and assessed using assumptions about the risk of default and the incurred loss rates. The Group uses judgments when making these assumptions and selects the inputs necessary for the impairment calculation based on past experience and current and future market conditions at the end of each reporting period, in accordance with the requirements of IFRS 9 (Note 14).

**Measurement of employee benefits obligation**

The Group's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value. The calculation is performed annually by a qualified actuary using the projected unit credit method. Judgments are used in estimating the actuarial assumptions. Key assumptions are disclosed in Note (22).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

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**4. USE OF JUDGEMENTS AND ESTIMATES (continued)**

**Impairment for inventory**

Management estimates the impairment to reduce the inventory to its net realizable value if the cost of the inventory is not recoverable or the inventory is damaged or become an obsolete in whole or in part, or if the selling price is lower than cost or any other factors that cause the net realizable value to become less than the carrying amount. Management valuation of net realizable value is based on the most reliable evidence at the time the estimates are used. These estimates take into account fluctuations in prices or costs directly attributable to events occurring after the date of the financial statements to the extent that they confirm that the circumstances of such events exist as at end of the financial period.

**Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested for impairment annually.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in the consolidated statement of profit or loss. They are collected first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**Useful lives of property, plant and equipment**

The Management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage physical wear and tear. Management reviews the residual value and useful lives annually and change in amortisation charges (if any) are adjusted in current and future periods.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

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**4. USE OF JUDGEMENTS AND ESTIMATES (continued)**

**Fair value of assets and liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the access is available at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2: Inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for assets and liabilities that are not based on observable market data (unobservable inputs).

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.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The carrying values and fair values of financial assets and liabilities including their fair value hierarchy are disclosed. It doesn't include information about fair value of financial assets and financial liabilities not measured at fair value if book value reasonably equals fair value in note (35).

**5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS**

**5.1 New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted by the Group in preparing the financial statements are consistent with those followed in preparing the annual consolidated financial statements of the Group for the year ended 31 December 2021, and there are no new standards that were issued, however, there are a number of amendments to the standards which are effective as of 1 January 2021. which did not have a material impact on the consolidated financial statements.

<b>Effective as of</b>	<b>Amendments to Standards</b>
1 January 2021	Amendments to IFRS 9, IAS 39 and IFRS 16 and IFRS 4 - Phase II (Interest Rate Correction)



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)**

**5.2 Standards issued and not yet effective**

Standards and amendments issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group does not expect a material impact on the consolidated financial statements if the below standards and amendments are applied.

<b>Effective for annual periods Starting from or after</b>	<b>New standards or amendments</b>
1 January 2022	Onerous contracts - Cost of contract completion (Amendments to IAS 37)
	Annual changes to IFRS standards
	Property, plant and equipment: Proceeds before Intended Use (Amendments to IAS 16)
	Reference to the conceptual framework (amendment to IFRS 3)
1 January 2023	Amendments to IAS 1 "Presentation of Financial Statements" on the classification of liabilities
	IFRS 17 - Insurance contracts and amendment to IFRS 17 - Insurance contracts
Available for optional adoption / effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

**6. SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been consistently applied to all periods presented in these consolidated financial statements.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (referred to in Note 1). The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company, using consistent accounting policies consistent with the Company's financial policies.

**Subsidiary**

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over these entities. The subsidiaries are consolidated from the date on which control commences until the date on which control ceases.

**Non-controlling interests**

NCI are measured at their proportionate share of the identifiable net assets at the date of acquisition.

Change in the Group's interest in a subsidiary that do not result in a loss of control is accounted for as equity transactions.

The Group does not add its indirect share in the subsidiary that it owns through investments in equity-accounted investees. When calculating shares attributable to non-controlling equity, shares owned directly and indirectly by other associates are taken into consideration.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

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**6. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Loss of control**

When the Group loses control of subsidiaries, the assets, liabilities, non-controlling interests and other components of equity are eliminated and any gains or losses are recognized in the statement of profit or loss and any shares held are recognized at fair value when control is lost.

**Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated.

**Interests in equity-accounted investees**

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associate entities are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

**Foreign currencies**

**Transactions in foreign currencies**

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognized in OCI:

- available-for-sale equity investments at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

**Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into SR at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

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**6. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenues from contracts with customers**

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15- revenue from contracts with customers.

**Step 1 - Identify the contract(s) with a customer:** A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

**Step 2 - Identify the performance obligations in the contract:** A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

**Step 3 - Determine the transaction price:** The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

**Step 4 - Allocate the transaction price to the performance obligations in the contract:** For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

**Step 5 - Recognize revenue when (or as) the entity satisfies a performance obligation.**

**Revenues from contracts with customers**

If the consideration promised in a contract includes a variable amount, the Group shall estimate the amount of consideration to which the Group will be entitled in exchange for transferring the promised goods or services to a customer.

An amount of consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items. The promised consideration can also vary if the Group's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event.

The Group sells packed and non-packed clinker and cement, where selling process is either through selling invoices and/or specific contracts with customers.

**(a) Sales of goods**

For contracts with customers which the only obligation is going to be selling cement, revenues shall be recognized at the time in which control over asset is transferred to the customer at a specific point in time, which is usually at the delivery date.

The Group recognises revenue at the point in time at which the customer obtains control of a promised asset and the entity satisfies the performance obligations. The Group considers the below mentioned indicators to assess the transfer of control of the promised asset:

- the Group has a present right to payment for the asset
- the customer has legal title to the asset
- the Group has transferred physical possession of the asset
- the customer has the significant risks and rewards of ownership of the asset
- The customer has accepted the asset

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

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**6. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Employee benefits**

Defined employee benefit plans

The Group is required by law to pay end of service benefits (defined benefit plan) in accordance with the Saudi Labor Law. The benefit of the end of service benefit equals half the salary of the last month of each of the first five years of service, including the fractions of the year, in addition to the salary of the last month in full for each year of the remaining / subsequent service, including fractions of the year. The end of service benefit plan is unfunded.

Evaluation methodology and key assumptions for the actuarial study

In compliance with the requirements of IAS 19 “Employee Benefits”, the end of service indemnity is determined by actuarial valuation using the projected unit credit actuarial cost method at the end of each financial year. The gain or loss arising from actuarial revaluation is recognized in the statement of comprehensive income for the period in which the revaluation occurred. Remeasurement recognized in comprehensive income is immediately reflected in retained earnings and is not included in profit or loss. The cost of the previous service (past cost) is calculated in profit or loss during the plan adjustment period. Interest is calculated by applying the discount rate at the beginning of the period to the specified employee benefit asset or liability.

The cost of the current service of the defined benefit plan is recognized in the statement of profit or loss under employee benefit expense to reflect the increase in the liability resulting from staff services for the current year and the cases of change, reduction or adjustment of benefits. Service costs for the previous years are directly are recognized in profit or loss.

Evaluation methodology and key assumptions for the actuarial study (continued)

Actuarial gains and losses arising from adjustments and changes in actuarial assumptions are charged in equity in the statement of other comprehensive income in the period in which they arise. Defined benefit costs are classified as follows:

- cost of service (including current service costs, past service cost, as well as gains and losses resulting from the scaling up and reimbursement of staff benefits);
- Interest cost, and
- Remeasurement.

Short-term employee benefits

Liabilities are recognized and measured for benefits in respect of wages, salaries, annual leave and sick leave in the period in which they are rendered in the undiscounted amounts of the benefits expected to be paid for these services.

Retirement benefit costs

The Group contributes to the retirement benefits of employees in accordance with the regulations of the General Organization for Social Insurance and is calculated as a percentage of the employees' remuneration. Payments are treated to government-managed pension benefit plans as payments to specific contribution plans as the Group's liabilities against these plans are equivalent to those that arise in a defined contribution retirement plan. Payments to retirement benefit plans are charged as an expense when due.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

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**6. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Finance income and finance costs**

Finance income and finance costs comprise of Islamic Murabaha of invested money which are recognized in profit or loss. Interest income from Islamic Murabaha is recognized as it accrues under profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in consolidated statement of profit or loss using the effective interest method.

**Zakat and income tax**

Zakat charge is accounted for in accordance with the regulations of the Zakat, Tax and Customs Authority (“ZTCA”) in the Kingdom of Saudi Arabia. Zakat is calculated discretionary for the period and Zakat provision is charged in an independent item in the statement of profit or loss. Income tax for foreign entities is provided for in accordance with the relevant income tax regulations of the countries in which they operate. Additional zakat and income tax liability, if any, related to prior years’ assessments are accounted for in the period in which the final assessments are finalized.

The Group withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZTCA regulations.

**Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax Assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

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**6. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Deferred tax (continued)**

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

**Inventories**

Inventories are measured at the lower of cost or net realizable value. Inventories cost is calculated using the weighted average method, which includes expenditure incurred in bringing inventories to their existing location and condition and in case of manufactured inventories and work in progress, inventories are charged with an appropriate share of production overheads based on normal operation capacity of the company. Net realisable value is the estimated selling price in the Company's ordinary course of business, less the estimated costs of completion and selling.

**Property, plant and equipment**

**Recognition and Measurement**

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. For internally established assets, cost of asset includes materials and direct labor costs and other direct costs required to operate these assets in the location and purpose which they are acquired for.

If a significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses from disposal of an item of property, plant and equipment are determined based on the difference between net proceeds from selling and book value of disposed items of property, plant and equipment and they are carried on in the statement of profit or loss at the same period at which the disposal takes place.

**Subsequent costs**

The cost of replacing part of the item of property, plant and equipment is recognized in the carrying amount of the item if the future economic benefits of the Group in that segment are probable and the cost can be measured reliably. Book value of the replaced item is disposed. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Major inspections and overhauls are identified and accounted for as a separate component if that component is used over more than one period. The carrying amount of such component is determined with reference to the current market price of such overhauls.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

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**6. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property, plant and equipment (continued)**

**Depreciation**

Depreciation is an organized distribution of depreciable value of property, plant and equipment items (asset's cost less asset's residual value) along the asset's useful life.

Depreciation cost is charged to statement of profit or loss on a straight-line basis over the estimated useful lives of the individual items of property and equipment. Leased assets are depreciated on the lower of lease period or the useful life Unless there is a reasonable certainty that the asset's ownership will be transferred to the Group by the end of the lease term. Freehold lands held by the Group are not depreciated.

When the useful lives of items of property and equipment differ, they are accounted for as separate items.

The estimated useful lives of the items of properties, plant and equipment for the current period and the comparative periods are as follow:

<b>Asset</b>	<b>Useful lives (Years)</b>
Buildings and constructions	20-33
Plant, factory installations and power and water stations	20-30
Workshop tools and equipment	5 – 10
Furniture and fixture	5 –11
Equipment and vehicles	4-7

The Group reviews depreciation methods, useful lives and residual value of property, plant and equipment at the end of each financial year and in case there are any differences, they are considered as change in accounting estimates (in the change year and the subsequent years)

**Projects in progress**

The cost of under construction projects are accounted on actual cost basis and presented under property, plant and equipment item till these projects are ready to use, then they are transferred under property, plant and equipment and its depreciation starts to be accounted in accordance with expected useful lives.

**Intangible assets**

Intangibles acquired separately are measured on initial recognition at cost. Cost of intangible assets acquired based on business combinations represents the fair value at the acquisition date. Following initial recognition, intangibles are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. Intangible assets internally developed (except for capitalized development costs) are not capitalized and expenses are included in the consolidated statement of profit or loss at the date of their maturity.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the asset is derecognized.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

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**6. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Intangible assets (continued)**

The estimated useful lives of intangible asset are as follows:

<b>Asset</b>	<b>Useful lives (Years)</b>
Mining assets	27-30.3
Software	5
Electricity plants	25

**Investment properties**

Investment property is property acquired either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business of the Group, and it shall not be used in the production or supply of goods or services or for administrative purposes. Investment properties are initially presented at cost including transaction costs, measured later in accordance with the cost model (at historical cost less accumulated depreciation – except lands which are measured at their cost - and accumulated impairment losses).

**Leases**

**a. Definition of a lease**

The Group assesses whether a contract is or contains a lease. Under IFRS 16, an arrangement is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

**b. As a lessee**

We have measured the lease liability at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group as at the date of lease. The right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued rents. The Company has applied this approach to all leases.

The Group used the allowed exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of the lease term.

**Lease liabilities are re-measured when there is a change in future lease payments.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

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**6. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments**

**Non-derivative financial instruments**

The Group has applied the following classification and measurement requirements for financial instruments.

**Recognition of financial instruments**

Financial asset and liability is recognized when the Group represents a part of contractual obligations of the instrument, which is usually at the date of trade. The Company derecognizes financial asset when contractual cash flows of these assets are expired, or when the Company transfers financial asset's contractual cash flows in a transaction in which all risks and rewards of ownership of assets are substantially transferred. Any interests resulted from transferred financial assets that the Company has established or held as separate assets or liabilities are recognized.

**Derecognition**

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in the profit or loss. However, in respect of equity securities designated as at FVOCI, any cumulative gain / loss recognized in OCI is not recognized in the profit or loss on derecognition.

A financial liability is derecognized from the consolidated statement of financial position when the Group has discharged its obligation or the contract is cancelled or expires.

**Classification of financial instruments**

The Group classifies its financial assets into the following measurement categories:

- 1) Assets to be measured at amortized cost; or
- 2) Fair value through profit or loss (FVTPL); or
- 3) FVOCI - investment in equity instruments

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

Financial assets are not reclassified subsequently to initial recognition unless the Group changed business model for managing the financial assets. In such case, all affected financial assets are reclassified at the first day of the first financial period subsequent to business model change.

Financial assets are measured at amortized cost if it meets both of the following conditions and are not recognized as financial assets at fair value through profit or loss:

- Kept in business model which aims to keep assets to gain contractual cash flows; and
- The contractual conditions lead to enter into certain dates for cash flows which represent the principal and the interests of the basic pending amount.

Upon the initial measurement of equity instruments, which the Group does not hold for trading purpose, the Group can elect to present any subsequent changes in fair value for these investments in the statement of other comprehensive income. This election is made on an investment by investment basis.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

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**6. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

**Non-derivative financial assets (continued)**

Any other financial assets not classified or measured at amortized cost or fair value through other comprehensive income as above mentioned, are measured at fair value through profit or loss, including derivative financial assets.

*Financial assets- subsequent measurement - profits or losses:*

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

**Reclassification**

When an entity changes its business model for managing financial assets it shall reclassify all affected financial assets in accordance with the above-mentioned classification requirements.

**Offsetting 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 recognised amounts and there is an intention for the Group to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

**Derivative financial instruments and hedge accounting**

The Group uses derivative financial instruments (“derivatives”) (“interest rate swaps”) to hedge against risks related to interest rates and are recognized as cash flows hedges. Initially, these derivatives are initially recognized at fair value at the date of signing the contract of the derivative instrument, and then remeasured at fair value. Derivatives are carried at books as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives not eligible for hedge accounting are directly recognized in the consolidated statement of profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

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**6. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

**Non-derivative financial assets (continued)**

*Derivative financial instruments and hedge accounting (continued)*

At the beginning of hedging process, the Group determines and documents the process that the Group wants to apply the hedging accounting on, as well as the objectives of risk management and hedging strategy. Documents include the hedging instrument definition and the item or process hedged for, it also include the risks' nature and how would the entity evaluate effectiveness of hedge instrument against exposure to changes in the item's cash flows and risks return. These hedges are expected to be highly effective in decreasing changes in cash flows and are continually evaluated to determine its effectiveness during periods of preparing financial statements.

Current portion of profit or loss arising from cash flows hedges, which matches hedging accounting requirements are directly recognized in equity, while any non-current portion are directly recognized in consolidated statement of profit or loss.

Amounts presented in equity are transferred to statement of profit or loss when transaction starts to impact profit or loss, i.e, when hedging for an expense or revenue or when an expected selling takes place. If the hedged item represents the cost of non-financial assets or non-financial liabilities, then amounts registered in equity are transferred to original book value of non-financial assets or non-financial liabilities.

If hedge instrument has expired, disposed, terminated, used without being replaced or renewed (as a part of the hedge strategy), or in the case of hedge derecognition or if hedge instrument doesn't meet the hedge accounting requirements anymore, then accumulated profit or loss previously recognized in equity remains under a separate account in equity till the expected transaction takes place or the fixed obligation from the foreign currencies is met. If expected transaction and fixed obligation are not expected to take place, then all amounts previously recognized in equity are transferred to consolidated statement of profit or loss.

**Share capital**

Instruments issued by the Company are classified as equity (shareholders' equity) only to the extent that the definition of the asset or liability does not apply. The Company's ordinary shares are classified as equity instruments (Shareholders' equity).

**Impairment**

**Impairment of financial assets**

IFRS 9 requires an entity to follow an expected credit loss model for the impairment of financial assets.

Expected credit loss should be measured for financial assets measured at amortized cost or fair value through other comprehensive income, except for equity instruments investments.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECL. These are ECLs that result from possible default events within the 12 months after the reporting date;

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

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**6. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment (continued)**

Impairment of financial assets (continued)

- Lifetime expected credit loss. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a credit asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. The Company can assume that credit risks on a financial instrument didn't significantly increase since the initial recognition; if the financial instrument is previously determined as low credit risk instrument at the date of report. However, lifetime expected credit loss measurement is always applied on trade receivables and assets of the contracts without the presence of a significant finance item, in which the Group can adopt this policy to trade receivables with a non-significant finance item.

The Group elected to evaluate trade receivables impairment using 12-month expected credit loss model.

The carrying amount of financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write - off is later recovered, it is recognized in profit or loss in the period of recovery.

Impairment of non-financial assets

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

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate 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 considered impaired and is written down to the recoverable amount. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

The losses arising from impairment are recognized in the consolidated statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

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**6. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment (continued)**

Impairment of non-financial assets (continued)

An assessment is conducted at each reporting date to determine whether there is an evidence of impairment loss previously recorded or curtailed. If such indication exists, the Group estimates the asset's or cash-generating unit'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 exceeds 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 statement of consolidated profit or loss.

Non-financial assets other than goodwill, if any, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**Provisions**

A provision is recognised if the Company has a present (legal or contractual) obligations at the reporting date arising from previous events and the payment of the obligation may result in outflow of economic benefits and can be reliably measured. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to this liability.

**Loans and receivables**

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognized within the consolidated statement of profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

**Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with maturities of three months or less from the date of the original investment, which are available to the Company without any restrictions, and the statement of cash flows statement are prepared according to the indirect method.

**Trade payables and accruals**

Trade payables and other payables are recognized at fair value and are subsequently carried at amortized cost using the effective interest method. The Group derecognizes a financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is extinguished; that is, when the liability specified in the contract is discharged or canceled or expires.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

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**6. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Expenses**

Selling and distribution expenses are those arising from the Company's efforts underlying their marketing, selling and distribution functions. All other expenses, excluding cost of sales and financial charges, are classified as administrative expenses. Allocation of common expenses between cost of sales, selling and distribution and general and administrative expenses, where required, is made on a reasonable basis with regards to the nature and circumstances of the common expenses.

**Current / non-current classification**

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

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

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the date of financial position.

The Group classifies all other liabilities as non-current.

**Segment information**

An operating segment is a company of assets and processes that jointly engage in the rendering of products or services subject to risks and rewards that differ from those of other business segments and which are measured in accordance with the reports used by the executive management.

A geographical segment is associated with the provision of products or services in a specific economic environment that is subject to risks and rewards that differ from those of segments of business in economic environment.

**Dividends**

Dividends are recorded as liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they were approved by the general assembly of shareholders.

**Statutory reserve**

Company's By-Laws requires transferring 10% of annual net income to a statutory reserve. The ordinary General Assembly can decide to stop transferring to the above mentioned reserve till it reaches 30% of paid share capital.



**ARABIAN CEMENT COMPANY**  
(Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**7. PROPERTY, PLANT AND EQUIPMENT**

a) Movement in property, plant and equipment for the year ended 31 December 2021 are as follows:

	Lands	Buildings and constructions	Plant, factory installations and power and water stations	Workshop tools and equipment	Equipment and vehicles	Furniture and fittings	Projects Under progress	Total
	SR ('000)	SR ('000)	SR ('000)	SR ('000)	SR ('000)	SR ('000)	SR ('000)	SR ('000)
<b><u>Cost:</u></b>								
Balance at 1 January 2021	7,853	1,644,988	3,240,636	76,493	77,219	76,250	409,909	5,533,348
Additions	--	90	4,477	1,039	958	1,741	20,691	28,996
Transferred from projects in progress	--	5,370	2,405	1,741	--	607	(9,948)	--
Disposals	--	--	(23,631)	--	(2,736)	(53)	--	(26,420)
Adjustments	--	--	(3,308)	--	--	--	(250)	(3,558)
Reclassification	--	153	--	(2)	1	(154)	--	(2)
Balance at 31 December 2021	<b>7,853</b>	<b>1,650,601</b>	<b>3,220,579</b>	<b>79,096</b>	<b>75,442</b>	<b>78,391</b>	<b>420,402</b>	<b>5,532,364</b>
<b><u>Accumulated depreciation:</u></b>								
Balance at 1 January 2021	--	781,685	2,113,380	73,328	74,222	69,322	--	3,111,937
Depreciation charged during the year	--	45,148	89,577	1,608	1,042	3,092	--	140,467
Disposals	--	-	(23,631)	--	(2,736)	(40)	--	(26,407)
Balance at 31 December 2021	<b>--</b>	<b>826,833</b>	<b>2,179,326</b>	<b>74,936</b>	<b>72,528</b>	<b>72,374</b>	<b>--</b>	<b>3,225,997</b>
Impairment of property, plant and equipment (note 7e / 7f)	--	--	<b>91,668</b>	--	--	--	<b>16,135</b>	<b>107,803</b>
<b><u>Net book value:</u></b>								
At 31 December 2021	<b>7,853</b>	<b>823,768</b>	<b>949,585</b>	<b>4,160</b>	<b>2,914</b>	<b>6,017</b>	<b>404,267</b>	<b>2,198,564</b>

**ARABIAN CEMENT COMPANY**  
(Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**7. PROPERTY, PLANT AND EQUIPMENT (continued)**

b) Movement in property, plant and equipment for the year ended 31 December 2020 are as follows:

	Lands	Buildings and constructions	Plant, factory installations and power and water stations	Workshop tools and equipment	Equipment and vehicles	Furniture and fittings	Projects Under progress	Total
	SR ('000)	SR ('000)	SR ('000)	SR ('000)	SR ('000)	SR ('000)	SR ('000)	SR ('000)
<b><u>Cost:</u></b>								
Balance at 1 January 2020	7,853	1,621,264	3,226,456	75,303	75,862	74,227	417,522	5,503,587
Additions	--	37	6,127	615	1,357	1,546	25,700	35,382
Transferred from projects in progress	--	23,687	8,264	575	--	787	(33,313)	--
Disposals	--	--	(211)	--	--	(310)	--	(521)
<b>Balance at 31 December 2020</b>	<b>7,853</b>	<b>1,644,988</b>	<b>3,240,636</b>	<b>76,493</b>	<b>77,219</b>	<b>76,250</b>	<b>409,909</b>	<b>5,538,448</b>
<b><u>Accumulated depreciation:</u></b>								
Balance at 1 January 2020	--	740,165	2,023,097	71,385	72,465	66,030	--	2,973,142
Depreciation charged during the year	--	41,520	90,374	1,943	1,757	3,598	--	139,192
Disposals	--	--	(91)	--	--	(306)	--	(397)
<b>Balance at 31 December 2020</b>	<b>--</b>	<b>781,685</b>	<b>2,113,380</b>	<b>73,328</b>	<b>74,222</b>	<b>69,322</b>	<b>--</b>	<b>3,111,937</b>
Impairment of property, plant and equipment (note 7e)	--	--	91,668	--	--	--	--	91,668
<b><u>Net book value:</u></b>								
<b>At 31 December 2020</b>	<b>7,853</b>	<b>863,303</b>	<b>1,035,588</b>	<b>3,165</b>	<b>2,997</b>	<b>6,928</b>	<b>409,909</b>	<b>2,329,743</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**7. PROPERTY, PLANT AND EQUIPMENT (continued)**

- c) The parent Company obtained mining concession in Rabigh under the royal decree M/29, dated Dhual Qedah 9, 1406H (corresponding to July 15, 1986) for 30 years renewable for the same period against annual fee. The license for the exploitation of limestone was renewed pursuant to Ministerial Decision No. S/7197 dated 15/9/1437H (corresponding to 20 June 2016) and valid for 30 years from the date of 9 Shawwal 1437H (corresponding to 14 July 2016).

- d) The depreciation for the year has been allocated as follows:

	<u>Note</u>	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Cost of sales		<b>136,984</b>	135,605
General and administrative expenses	28	<b>2,858</b>	3,560
Selling and distribution expenses	27	<b>625</b>	27
		<b><u>140,467</u></b>	<u>139,192</u>

- e) The Company has studied the impairment of property, plant and equipment of its subsidiary "Qatrana Cement Company" and the recoverable amount is accounted for as at 31 December 2021, based on the value-in-use for cash generating unit determined by the Group, which comprise of net operating assets of Qatrana Cement Company. When determining the value in use for the cash-generating unit, the cash flows that were determined using the financial budgets approved by the Company's management for a five-year period were deducted by 11.35% on average until 2026 (2020: 14.99%), according to the estimated useful lives of related machinery and equipment, and this study did not result in the formation or response of the impairment allowance, which was fixed in previous years in the amount of SR 96.8 million (JD 18.3 million), which was distributed to each of the property, plant and equipment and intangible assets. Value-in-use calculating is impacted and is considered highly sensitive in case of change in the following key assumptions:

- Future business plans and future performance improvements
- Discount rate used in cash flows estimates
- Sale prices and quantities

- f) As at 31 December 2021, the Company's property, plant and equipment includes projects in progress amounting to SR 420.4 million (31 December 2020: SR 409.9 million) mainly relates to projects of works for improving efficiency of production lines and cement facilities amounting to SR 409.7 million as at 31 December 2021 (31 December 2020: SR 409.4 million), which is expected to be completed in the last quarter of 2022.

During the year, the Company's management reviewed the recoverable amount of some projects under implementation and established a provision impairment of their book value in the amount of SR 16 million, which was recorded in the consolidated statement of profit or loss.

- g) Group's property, plant and equipment are not pledged against standing loans as at 31 December 2021 and 31 December 2020.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**8. INTANGIBLE ASSETS**

- a) Intangible assets balance is mainly represented in an agreement in which Qatrana Cement Company (a subsidiary) obtained the right to use electricity transforming station of Qatrana Cement to supply the factory with electric power. The right to use cost is depreciated over 25 years which represent the agreement's duration.
- b) Movement on book value of intangible assets is as follows:

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
<b><u>Cost</u></b>		
Balance at 1 January	30,590	30,590
Additions during the year	34	--
<b>Balance at December 31</b>	<b>30,624</b>	<b>30,590</b>
<b><u>Accumulated amortisation</u></b>		
Balance at 1 January	10,013	8,846
Amortisation	1,197	1,167
<b>Balance at December 31</b>	<b>11,210</b>	<b>10,013</b>
Impairment losses	(5,100)	(5,100)
<b>Carrying value</b>	<b>14,314</b>	<b>15,477</b>

- c) Amortization

Amortisation is included under 'cost of sales'.

**9. INVESTMENT PROPERTIES**

Investment prosperities are represented in lands which are either re-leased to other parties under operating lease contracts or intended for resale.

The fair value of real estate investments amounted to SR 371 million as on 31 December 2021 (31 December 2020: SR 374 million). It was determined based on the evaluation provided by Thaman Arabia for Real Estate Evaluation Office, an independent certified real estate evaluator (license number 1210000180). The fair value of the properties was determined based on the prevailing market prices for similar properties.

	<b>31 December</b> <u>2021</u> SR ('000)	31 December <u>2020</u> SR ('000)
Carrying amount	5,700	5,700
Fair value	<b>371,198</b>	<b>374,000</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**10. INVESTMENT IN EQUITY ACCOUNTED INVESTEEES**

10.1 Investment in equity accounted investees at 31 December comprise the following:

<u>Company name</u>	<u>Country of incorporation</u>	<u>Principal activity</u>	<u>Shareholding %</u>		<u>2021</u>	<u>2020</u>
			<u>2021</u>	<u>2020</u>	<u>SR ('000)</u>	<u>SR ('000)</u>
Ready Mix Concrete and Construction Supplies Company	Kingdom of Jordan	Concrete production	<b>36.67%</b>	36.67%	<b>17,054</b>	15,515
Cement Products Limited Company	Kingdom of Saudi Arabia	Bags production Cement	<b>33.33%</b>	33.33%	<b>37,500</b>	32,828
					<b>54,554</b>	<b>48,343</b>

10.2 Movement on investment in equity accounted investees is as follows:

	<u>2021</u>	<u>2020</u>
	<u>SR ('000)</u>	<u>SR ('000)</u>
Balance at beginning of the year	<b>48,343</b>	57,442
Group's share in equity-accounted investees' results for the year	<b>6,150</b>	(9,010)
The Group's share in comprehensive income of equity-accounted investees	<b>61</b>	(89)
Balance at end of year	<b>54,554</b>	<b>48,343</b>

10.3 As a result of the losses incurred by the Ready Mix Concrete and Construction Supplies Company during the years 2019 and 2020 which indicates a possibility of a decrease in the value, the Group studied impairment of investments in the equity-accounted investees of the Ready Mix Concrete and Construction Supplies Company. The recoverable value was calculated as at 31 December 2021, based on the value in use of the cash-generating unit that was determined by the Group's management, which consists of the net operating assets of the company when determining the usable value of the cash-generating unit. Cash flows that were determined using the financial budgets approved by the company's management for a five-year period of 11.44% have been deducted before calculating the tax until the year 2026 (2020: 14.54%), and that study resulted in a decrease in the value of investments amounting to SR 51.2 million, which was included in the statement of profit or loss for the year ended 31 December 2019. Value-in-use calculating is impacted and is considered highly sensitive in case of change in the following key assumptions:

- Future business plans and future performance improvements
- Discount rate used in cash flows estimates
- Sale prices and quantities

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**10. INVESTMENT IN EQUITY ACCOUNTED INVESTEE (continued)**

10-4 Financial information of equity accounted investee is as follows:

	<b>Ready Mix Concrete and Construction Supplies Company</b>		<b>Cement Product Industry Company</b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
	<b>SR ('000)</b>	<b>SR ('000)</b>	<b>SR ('000)</b>	<b>SR ('000)</b>
Total assets	<b>283,751</b>	287,829	<b>230,385</b>	234,213
Total obligations	<b>151,155</b>	159,424	<b>117,885</b>	135,731
Total Revenues	<b>163,440</b>	118,346	<b>112,029</b>	121,253
Total gain / (loss) for the year	<b>3,227</b>	(25,003)	<b>14,197</b>	484
Company's share in impairment losses of equity accounted investees	<b>1,418</b>	(9,169)	<b>4,732</b>	161

**11. INVESTMENTS IN EQUITY AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)**

Investments in equity instruments at fair value through other comprehensive income represent investments in Southern Province Cement Company:

Listed investments

<b><u>Name</u></b>	<b><u>Direct holding (%)</u></b>		<b><u>2021</u></b>	<b><u>2020</u></b>
	<b><u>2021 %</u></b>	<b><u>2020 %</u></b>	<b>SR ('000)</b>	<b>SR ('000)</b>
Southern Province Cement Company	<b>1.52</b>	1.52	<b>149,664</b>	179,981
<b>Total</b>			<b>149,664</b>	179,981

The Group recognized unrealized losses from investments in equity instruments at fair value through other comprehensive income during the year as follow:

	<b><u>2021</u></b>	<b><u>2020</u></b>
	<b>SR ('000)</b>	<b>SR ('000)</b>
Balance at beginning of the year	<b>179,981</b>	137,494
Unrealized (losses) / gains	<b>(30,317)</b>	42,487
<b>End of year balance</b>	<b>149,664</b>	179,981

The Group received cash dividends from investments in equity instruments at fair value through profit or loss amounting to SR 8 million (2020: SR 9.6 million).

**12. FINANCIAL INVESTMENT AT AMORTIZED COST**

As at 31 December 2021, financial investments at amortized cost represent (Murabaha) deposits with local banks, bearing a profit rate of about 1.19% (2020: SR Nil) annually with a maturity of more than 6 months.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**13. INVENTORIES**

Inventories as at 31 December comprise the following:

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Spare parts	103,743	107,500
Under progress products and finished inventory	252,954	386,963
Raw materials and fuels	45,592	49,102
Goods in-transit	6,068	4,362
	<u>408,357</u>	<u>547,927</u>

Inventory is presented at the lower of the cost or net recoverable amount and the spare parts inventory has been impaired to SR 1.7 million (2020: SR 7.2 million) in the consolidated statement of profit or loss. In addition to impairment of clinker inventory with an amount of SR 1 million (2020: SR 0.38 million).

**14. TRADE RECEIVABLES**

a) Trade receivables comprise of the following:

	<u>Note</u>	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Trade receivables		180,383	184,742
Account receivables due from related parties	34.b	26,744	40,745
		<u>207,127</u>	<u>225,487</u>
Provision for impairment of trade receivables		(2,840)	(3,587)
		<u>204,287</u>	<u>221,900</u>

b) The movement in the provision for impairment of receivables is as follows:

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Balance at beginning of the year	3,587	3,587
Provision for impairment of trade receivables	(747)	--
	<u>2,840</u>	<u>3,587</u>

Additional information related to the Group's exposure to credit and market risk is disclosed in Note 35.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**15. PREPAYMENTS AND OTHER RECEIVABLES**

Prepaid amounts and other receivables comprise of the following:

	<u>Note</u>	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Payments to suppliers		4,393	7,571
Prepaid expenses		2,985	2,671
Bank guarantees and letters of credit		418	920
Employee advances		2,250	965
Income tax	29-b	--	6,542
Other receivables, net		7,573	3,033
		<u>17,619</u>	<u>21,702</u>

**16. CASH AT BANK**

a) Cash at banks comprise the following:

	<u>Note</u>	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Cash at banks	16-b	143,436	184,428
Islamic deposits	16-c	--	50,000
<b>Cash at banks</b>		<u>143,436</u>	<u>234,428</u>

b) The amount of cash at banks as at 31 December 2021 includes amounts held with a bank amounting to SR 586 thousand (Euro 138 thousand), which represents the cash-for-document agreement.

c) Short-term deposits represent Islamic deposits at banks with maturity do not exceed three months from deposit date.

**17. SHARE CAPITAL**

As at 31 December 2021, and 31 December 2020, the Company's authorized, subscribed and fully paid share capital amounted to SR one billion SRs divided into 100 million shares of SR 10 each.

Premium

Share premium is the difference between share's price offered for subscription and the share's nominal value at the subscription date less issuance costs. This balance has been made during the year ended 31 December 2008.

**18. STATUTORY RESERVE**

In accordance with Companies Regulations in Saudi Arabia and the Company's By-Laws, the Company is required to transfer 10% of its net annual income to a statutory reserve. According to the By-Laws, the Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. As such condition is achieved, the Company decided to stop such transfers and this reserve is not available for distribution.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**19. GENERAL RESERVE**

According to the Company's By-Laws, the General Assembly of shareholders has the right to make general reverses through transferring from retained earnings. This reverse can be increased or decreased based on the ordinary general assembly's decision.

**20. NON-CONTROLLING INTERESTS**

Non-controlling interests comprise the following:

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000) Restated – Note 38
Balance as at 1 January as previously reported	75,174	74,719
Prior year adjustments	--	(5,961)
Balance as at 1 January (Restated)	<u>75,174</u>	<u>68,758</u>
Profit for the year	<u>8,458</u>	<u>6,416</u>
<b>Balance at December 31</b>	<b><u>83,632</u></b>	<b><u>75,174</u></b>

**21. LONG TERM LOANS AND FACILITIES**

- a) During the year ended 31 December 2015, the Company conducted an agreement with SABB bank amounted to SR 400 million to fund the first phase of the expansion and establishment of cement facilities project and electricity station project. The Financing is payable over five years, including a grace period for the first year, on eight equal installments over four years. The Company entered into an interest rate swap contract to hedge the potential interest rate risk on the loan (note 35).

During the year ended 31 December 2016, the loan agreement has been amended to reduce the funding with an amount of SR 148.5 million, which is reducing it from SR 400 million to SR 251.5 million. Accordingly, the Company entered into a swap contract with Riyadh Bank for hedging against the initial swap contract on the total loan (Note 35).

The agreement includes certain conditions, including maintaining certain financial ratios.

All the bank facilities bear bank commissions at the commercial rates prevailing in the market, and these facilities are guaranteed by a promissory note issued by the Company,

The last loan installments were paid during the 31 December 2020 as the loan balance amounted to Nil at 31 December 2020.

- b) At July 20, 2017, the subsidiary, "Qatrana Cement Company", has obtained a diminishing loan amounted JD 100 million (SR 528.9 million) from Arab Bank for the purpose of paying part of the Parent Company's loans.

The agreement includes certain conditions, including retaining financial ratios and that the ownership of the Arabian Cement Company, the Parent Company, doesn't directly or indirectly become less than 75% of Qatrana Cement Company's share capital during the loan lifetime.

The bank loan's principal shall be paid on 16 equal semi-annual installments, each equals JD 6.25 million (SR 33.1 million), and interests shall be paid on monthly basis.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**22. LONG-TERM LOANS AND FACILITIES (continued)**

The installment due for the month of July 2020 has been rescheduled amounting to JD 6.25 million (SR 33.1 million), in addition to the interest of the loan for the period from 1 April till 31 December 2020, amounting to of JD 3.3 million (SR 17.3 million) and extending the loan repayment tenure for an additional year, so that the last installment will be due on 20 July 2026.

During 2019, a revolving loan was granted by the Arab Bank with a ceiling of JD 6.5 million (SR 34.4 million) at an interest rate of 7.75%. There is no utilized amount from the value of the revolving loan during the year ended 31 December 2021 (2020: None).

A loan was granted from the Arab Bank, supported by the Central Bank amounting to JD 3 million (SR 15.9) at an interest rate of 3.50% for a period of 24 months, where the first installment is due on January 2021.

During the year 2021, the interest rate ranges from 6.38% to 5.38%.

- c) During 2021, the Group obtained from a local bank a short-term loan, with an amount of SR 70 million. They were fully paid during the year.
- d) Long-term borrowings and facilities are presented in the consolidated balance sheet as following:

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Current portion of long-term loans and facilities	7,934	10,578
Non-current portion of long-term loans and facilities	<u>248,674</u>	<u>322,722</u>
	<u><b>256,608</b></u>	<u><b>333,300</b></u>

- e) The financing movement during the year is as follows:

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Balance at beginning of the year	333,300	419,661
Received during the year	70,000	15,867
Payments during the year	<u>(146,692)</u>	<u>(102,228)</u>
	<u><b>256,608</b></u>	<u><b>333,300</b></u>

The non-current portion of the long-term loans and facilities is due as follows:

<u>Year</u>	<u>2021</u>	<u>2020</u>
2022	--	74,048
2023	66,114	66,114
2024	66,114	66,114
2025	66,114	74,751
2026	<u>50,332</u>	<u>41,695</u>
<b>Total</b>	<u><b>248,674</b></u>	<u><b>322,722</b></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**23. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS**

- a) The valuation was prepared by an independent external actuarial using the following key assumptions:
- As at 31 December 2021, the discount rate was 2.7% for the Company annually (31 December 2020: Discount rate is 2.4% for the Company annually).
  - As at 31 December 2021, the salary increase rate was 2% for the Company annually (31 December 2020: 2% for the Company annually).

- b) The movement in the employee benefit obligations is as follows:

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Present value of the obligation as at the beginning of the year	<u>49,743</u>	<u>52,629</u>
<u>Components of cost charged to the year in the consolidated statement of profit or loss:</u>		
Current service cost	<b>3,900</b>	2,320
Interest cost	<u>1,135</u>	<u>1,485</u>
<b>Total expenses charged to the consolidated statement of profit or loss</b>	<u><b>5,035</b></u>	<u>3,805</u>
<u>Items within statement of other comprehensive income:</u>		
Losses / (gains) from re-assessment of employee benefit obligations	<u>4,344</u>	<u>(1,421)</u>
Actual benefits paid during the year	<u>(4,811)</u>	<u>(5,270)</u>
<b>Current value of the obligation at the end of the year</b>	<u><b>54,311</b></u>	<u>49,743</u>

- c) Defined benefit liability sensitivity

		<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
<b>Rate of change in salaries</b>	Base		
	Increase by 1%	<b>58,051</b>	52,290
	Decrease by 1%	<b>50,503</b>	47,299
<b>Discount rate</b>	Base		
	Increase by 1%	<b>50,503</b>	47,299
	Decrease by 1%	<b>58,052</b>	52,287
Assumption of a statistical study of employees			
Membership data			
<b>Average age of employees (years)</b>		<b>42.3</b>	42
<b>Average years of past experience</b>		<b>12.34</b>	12.57

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**24. TRADE PAYABLES AND DUE AMOUNTS**

a) Trade and other payables and accrued amounts comprise the following:

	<u>Note</u>	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Trade payables	23.b	71,378	93,675
Accrued expenses against limestone extraction fees		39,090	27,361
Other accrued expenses		43,565	38,860
Customers of credit balances		15,776	18,768
Income tax	24.b	61	--
Other liabilities		25,798	32,472
		<u>195,668</u>	<u>211,136</u>

b) The trade Payables include amount of SR 385 (2020: SR 191 thousand) due to a related party (Note 34.b) against purchases.

**25. ACCRUED ZAKAT AND INCOME TAX**

a) The movement in zakat provision for the year ended 31 December is as follows:

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Balance at beginning of the year	21,510	22,345
Provided during the year	17,371	19,092
Paid during the year	(19,088)	(19,927)
Balance at the end of the year	<u>19,793</u>	<u>21,510</u>

b) Actual tax on accountable profit of the subsidiary is different from legal tax applied on the subsidiary's profit as follows:

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Taxable profit before tax exemption	75,619	50,608
Less: Tax exemption (75%)	(10,173)	(37,956)
Taxable income	<u>65,446</u>	12,652
Legal tax percentage	17%	16%
Income tax expense	<u>11,126</u>	2,024
National contribution tax	756	506
Income tax expense for prior years	286	717
Deferred tax assets	(335)	(1,022)
Expenses of income tax for the year	<u>11,833</u>	<u>2,225</u>

The current taxes due for the year ended 31 December 2021 were calculated in accordance with Income Tax Law No. (34) of the year 2014 and its amendments, which came into effect on 1 January 2019. According to this law, the legal tax rate on the Company is 17%, in addition to the national contribution rate of 1% (2020: 16% in addition to the National contribution tax of 1%).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**24. ACCRUED ZAKAT AND INCOME TAX (continued)**

**Income tax provision**

Movement on income tax provision during the year is as follows:

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Balance as at the beginning of the year	(6,542)	(11,158)
Taxes of previous years and expense of income tax for the year	12,168	3,247
Transferred from deferred tax assets	(5,315)	602
Claims of income tax for the year 2015	--	767
Prior year adjustments	(250)	--
<b>Balance as at the end of the year</b>	<u><u>61</u></u>	<u><u>(6,542)</u></u>

c) Zakat and tax status

**Arabian Cement Company**

The Company finalized its zakat status up to the year 2005 and submitted its zakat returns for the years ended 31 December 2006 through 2010 and ZTCA has issued zakat assessment for the mentioned years which resulted accrued zakat differences that amount to SR 14.6 million. The Company filed an appeal that was transferred to the Preliminary Objection Committee (POC) for the review and decision.

The Preliminary Objection Committee issued its resolution No. (36) in 1436H regarding the Company's objection on the said years. ZTCA has issued an adjusted zakat assessment based on the Preliminary Objection Committee's resolution, which showed a reduction in zakat differences amounts to SR 9.8 million. The Company paid the due zakat differences in accordance to the mentioned committee's resolution amounting to SR 4.8 million. ZTCA has also filed an appeal against the mentioned committee's resolution against the Tax Appeals Committee, which is still under consideration by the Committee up to date. The Company's management, supported by its zakat advisor, believes that the Company has a strong opportunity to win the aforementioned appeal.

The Company filed its Zakat returns for the years ended 31 December 2011 till 2013. The Zakat, Tax and Customs Authority (ZTCA) did not issue the Zakat assessment for the said years till to date.

ZTCA has issued the Zakat assessment for the years ending on 31 December 2014 until 2018, which showed accrued zakat differences of SR 16.4 million. The Company paid the due zakat differences on the non-objectionable items, amounting to SR 2.6 million during the year ended 31 December 2020. The Company has also objected the zakat assessment, and ZTCA issued the amended zakat assessment based on the decision of the Preliminary Appeal Committee, which showed a decrease in zakat difference by an amount of SR 3.5 million. The Company has escalated the aforementioned objection to the Tax Committees for Resolution of Tax Violations and Disputes (the "TCRTVD"), which is still under consideration by ZTCA to date. The Company's management and the zakat advisor believe that its position is strong and that the Company has sufficient provision to cover potential zakat obligations as a result of this assessment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**24. ACCRUED ZAKAT AND INCOME TAX (continued)**

c) Zakat and tax status (continued)

The Company has submitted the Zakat returns for the years ended 31 December 2014 to 2020 and obtained the unrestricted Zakat certificate for the year 2020.

The Zakat, Tax and Customs Authority has issued the Zakat and withholding tax assessment for the two years ended 31 December 2019 and 2020, which showed the total differences in Zakat and withholding tax due and a delay fine of SR 1.8 million.

The Company has paid the zakat due on the non-objectionable items in the amount of SR 83 thousand, in addition to paying the maximum amount of zakat differences due under the zakat assessment at 25% according to the Regulations, which amounts to SR 414 thousand. The Company has submitted an objection on the zakat assessment for the two years mentioned above, which is still under study by the ZTCA to date.

**Qatrana Cement Company (subsidiary) – Jordan**

Income tax returns were audited by the Income and Sales Tax Department until the end of 2018. The Company also filed income tax returns to the Department until the end of 2020.

With regard to sales tax, sales tax returns were audited by the Income and Sales Tax Department until the end of 2018. The Company also submitted sales tax returns to the Department for the end of December 2021.

The Income and Sales Tax Department reviewed the income tax for the Company for the year 2014 and issued its initial decisions requesting the Company to pay tax differences resulting from a difference in the interpretation of the decision of the Investment Board exemptions. Accordingly, the objection was submitted to the objection committee in the Income Tax Department. On 21 June 2020, the decision in relation to the objection was issued not to calculate investment promotion exemption on profits for the year 2014. However, the Company submitted its objection against the Department's decisions, and the files were transferred to the court to settle the dispute, and the Company did not calculate an additional provision for income tax as, according to the opinion of the legal advisor that the Company has strong reasons to win this case. The case is currently under review by the court of first instance.

d) Deferred tax assets and liabilities

Movement on deferred tax assets was as follow:

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Balance, beginning of the year	27,069	25,444
Additions and amendments during the year	196	1,023
Transferred to the income tax provision	(5,315)	602
<b>Balance at end of year</b>	<b>21,950</b>	<b>27,069</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**24. ACCRUED ZAKAT AND INCOME TAX (continued)**

d) Deferred tax and liabilities (continued)

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Balance, beginning of the year	<u>56,116</u>	56,116
Balance at end of year	<u>56,116</u>	<u>56,116</u>

The deferred tax assets for the year ended 31 December 2021 were calculated in accordance with Income Tax Law No. (34) of the year 2014 and its amendments, which came into effect on 1 January 2019. According to this law, the legal tax rate on the Company is 17%, in addition to the national contribution rate of 1% (2020: 16% in addition to the national contribution rate of 1%).

**26. REVENUE AND COST OF SALES**

Classification of the Group's revenues from contracts with customers:

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Kingdom of Saudi Arabia	693,521	614,502
Kingdom of Jordan	<u>339,684</u>	257,414
Total revenue from contracts with customers	<u>1,033,205</u>	<u>871,916</u>

- Any other classifications of revenues have not been disclosed since the Group is selling two types of products (cement and clinker) and no significant differences have appeared between the sale prices and production cost for different types of Cement, whether packed on non-packed. The Group sells its all products through distributors. The selling is conducted at a certain point in time, not over time.
- The cost of sales mainly represents the cost of raw materials, electricity, spare parts and depreciations.

**27. DIVIDENDS**

- On 1 March 2021, the Company's Board of Directors recommended distributing cash dividends to shareholders for the financial year 2020 with an amount of SR 125 million, which represents SR 1.25 per share, which was approved during the sixty five Extraordinary General Assembly on 11 April 2021.
- On 15 August 2021, the Company's Board of Directors recommended distributing cash dividends to shareholders for the first half of the year 2021 that amounted to SR 125 million, which represents SR 1.25 per share.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**26. DIVIDENDS (continued)**

The movement on accrued dividends during the year is as follows:

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Balance at beginning of the year	12,366	15,179
Declared during the year	250,000	200,000
Paid during the year	<u>(250,020)</u>	<u>(202,813)</u>
	<u>12,346</u>	<u>12,366</u>

**28. SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses for the year ended 31 December, comprise the following:

	<u>Note</u>	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Salaries, wages and equivalents		6,361	6,128
Depreciation	7	57	27
Transport of cement and clinker for clients		33,396	19,618
Other		354	676
		<u>40,168</u>	<u>26,449</u>

**29. GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses for the year ended December 31 comprise the following:

	<u>Note</u>	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Salaries, wages and equivalents		25,826	24,720
Depreciation	7	2,859	3,560
IT expenses		2,188	2,156
Remuneration and allowances for BOD meetings and committees attendance		7,484	5,911
Professional and consultancy fees		3,214	4,031
Customs expenses		--	118
Repair and maintenance		823	886
Operating leases		56	52
Lawsuit expenses*		10,000	-
Other		4,974	3,841
		<u>57,424</u>	<u>45,275</u>

\* Lawsuit expenses include an amount of SR 10 million in fines related to a case filed by the Attorney General of the General Authority for Competition against the Company before the Committee for the Adjudication of Competition Law Violations. The Company then filed a lawsuit against the General Authority for Competition in the Administration Court in Riyadh.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**30. SEGMENT INFORMATION**

The Group is mainly engaged in one operating segment that is related to cement production and selling.

For managerial purposes, the Group is organized as business units according to the geographical distribution, where units are distributed as follows:

- All the operations of the Group are carried out in the Kingdom of Saudi Arabia.
- Group's operations outside the Kingdom of Saudi Arabia, which mainly represent the Group's operations in Hashemite Kingdom of Jordan, in addition to the Kingdom of Bahrain.

<u>As at 31 December 2021</u>	<u>Inside KSA</u> SR ('000)	<u>Outside Kingdom of Saudi Arabia</u> SR ('000)	<u>Reconciliations</u> SR ('000)	<u>Total</u> SR ('000)
Total property, plant, equipment and property investments	1,477,876	823,156	(96,768)	2,204,264
Investment at FVOCI	149,664	--	--	149,664
Total non – other current assets	715,751	45,979	(666,247)	95,483
Total current assets	753,321	231,465	(1,087)	983,699
<b>Total liabilities</b>	<b>346,916</b>	<b>465,736</b>	<b>(212,868)</b>	<b>599,784</b>

<u>As at 31 December 2020</u>	<u>Inside KSA</u> SR ('000)	<u>Outside Kingdom of Saudi Arabia</u> SR ('000)	<u>Reconciliations</u> SR ('000)	<u>Total</u> SR ('000)
Total property, plant, equipment and property investments	1,575,661	856,550	(96,768)	2,335,443
Investment at FVOCI	179,981	--	--	179,981
Total non – other current assets	783,042	63,883	(750,906)	96,019
Total current assets	774,148	251,655	154	1,025,957
<b>Total liabilities</b>	<b>401,058</b>	<b>601,017</b>	<b>(312,623)</b>	<b>689,452</b>

Financial information for revenues, profits and some other items regarding geographical segments after elimination of the impact of the transactions between the Group's companies for the year ended 31 December 2021 and 2020 are as follows:

<u>Year ended 31 December 2021</u>	<u>Inside KSA</u> SR ('000)	<u>Outside Kingdom of Saudi Arabia</u> SR ('000)	<u>Reconciliations</u> SR ('000)	<u>Total</u> SR ('000)
Revenue from Contracts with Customers	693,521	339,684	--	1,033,205
Profit for the year	161,520	63,729	(55,271)	169,978
Finance costs	109	18,710	--	18,819
Depreciations and amortisations	99,961	42,077	--	142,038

**ARABIAN CEMENT COMPANY**  
(Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**29. SEGMENT INFORMATION (continued)**

Year ended 31 December 2020	<u>Inside KSA</u> SR ('000)	Outside Kingdom of <u>Saudi Arabia</u> SR ('000)	<u>Reconciliations</u> SR ('000)	<u>Total</u> SR ('000)
Revenue from Contracts with Customers	614,502	257,414	--	871,916
Profit for the year	184,944	48,318	(41,903)	191,359
Finance costs	--	25,280	--	25,280
Depreciations and amortisations	98,791	41,955	--	140,746

**31. OTHER REVENUES, NET**

Other income for the year ended 31 December comprises of the following:

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Rental income	8,045	8,000
Return on Islamic deposits	369	734
Insurance company compensation	543	459
Foreign currency exchange differences	(1,784)	(761)
Gain on disposal of property, plant and equipment	38	--
Other revenues / expenses	<u>1,422</u>	<u>(1,888)</u>
	<u><b>8,633</b></u>	<u><b>6,544</b></u>

**32. BASIC EARNINGS PER SHARE**

The calculation of basic earnings per share has been based the distributable earnings attributable to shareholders of ordinary shares and the weighted average number of ordinary shares outstanding at the date of the financial statements amounting to 100 million shares.

1) **Profit attributable to ordinary shareholders (basic)**

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Profit attributable to shareholders of the Company	<u>161,520</u>	<u>184,943</u>
Earnings per share attributable to the shareholders of the Company	<u><b>1.62</b></u>	<u><b>1.85</b></u>

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**31. BASIC EARNINGS PER SHARE (continued)**

**2) Weighted-average number of standing shares (basic)**

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Issued ordinary shares at beginning of the year	100,000	100,000
Effect of shares issued	--	--
<b>Weighted average number of shares outstanding at the end of the year</b>	<u>100,000</u>	<u>100,000</u>

**Diluted EPS**

The calculation of diluted earnings per share has been based on the profit distributable to shareholders on ordinary shares and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, if any.

During the year there were no diluted shares, accordingly the diluted earnings per share does not differ from the basic earnings per share.

**33. LEASES**

a) The facilities have been presented in statement of financial position as follows:

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
<b><u>Cost</u></b>		
Balance at 1 January 2020	5,900	5,795
Additions	--	105
Settlements	(91)	--
<b>Balance at the end of the year</b>	<u>5,809</u>	<u>5,900</u>
<b><u>Accumulated depreciation</u></b>		
Balance at 1 January	770	383
Charges during the year	374	387
<b>Balance at December 31</b>	<u>1,144</u>	<u>770</u>
<b><u>Net Book Value</u></b>		
<b>31 December</b>	<u>4,665</u>	<u>5,130</u>

b) Lease liabilities were presented in the balance sheet as follows:

	<b>31 December</b> <u>2021</u> SR ('000)	31 December <u>2020</u> SR ('000)
Short-term obligation	623	649
Long term obligation	4,319	4,632
	<u>4,942</u>	<u>5,281</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

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**34. CONTINGENCIES AND CAPITAL COMMITMENTS**

As at 31 December 2021, the Group has contingencies represented in outstanding letters of guarantee and credits of SR 30,1 million (31 December 2020: SR 30 million).

**Arabian Cement Company**

- As at 31 December 2021, the Group has capital commitments related to production lines, facilities and factories of the Group amounted to SR 2.8 million (31 December 2020: SR 0.6 million) and there are guarantees amounting to SR 23.1 million (31 December 2020: SR 33.3 million) provided to local banks against financial facilities and borrowings for a subsidiary.
- There is a lawsuit raised against the Company and is still pending before the concerned authorities, with an unspecified value, and the Company's management or its legal advisor cannot reliably anticipate the obligations that may result from it at the present time, and accordingly no provisions have been made against these cases.
- There are lawsuits filed against the subsidiary, with a value of JD 90 thousand, equivalent to SR 476 thousand, as at 31 December 2021 (as at 31 December 2020: JD 0.7, equal to SR 3.8 million) in addition to cases with unspecified value. The subsidiary's Management and its legal consultant believe that the subsidiary has strong reasons against these cases, and there is no need to take any provisions against these cases.

**35. RELATED PARTIES' DISCLOSURES**

- a. Related parties represent the Company's shareholders and their relatives up to the fourth generation, associated and affiliated companies and directors and key management personnel of the Group.

Related party transactions mainly represent purchases and sales of goods, financing, and dividends that which are undertaken at mutually agreed terms and approved by the management with the following entities:

<b><u>Description</u></b>	<b><u>Nature of relation</u></b>
Ready Mix Concrete and Construction Supplies Company	Associate
Cement Products Limited Company	Associate
Group's BOD members	Other related parties
Key management and senior executives	Other related parties

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**34. RELATED PARTIES' DISCLOSERS (continued)**

- b. The following table summarizes related parties' balances as at 31 December 2021 and 31 December 2020:

<u>Transactions with</u>	<u>Nature of transactions</u>	<u>Volume of transactions</u>		<u>Closing balance</u>	
		<u>2021</u> SR ('000)	<u>2020</u> SR ('000)	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
<b><u>Due balances from related parties under trade receivables (note 14-a)</u></b>					
Ready Mix Concrete and Construction Supplies Company - Associate	Sales	44,243	52,415	26,744	40,745
<b><u>Due balances from related parties under other debit balances</u></b>					
Ready Mix Concrete and Construction Supplies Company - Associate	Dividends	--	--	175	492
<b><u>Balance due to related parties under trade receivables (note 23-b)</u></b>					
Cement Products Limited Company "Associate"	Purchases	12,995	16,688	385	191

- c. Allowances and remuneration of BOD members and senior executives:

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Salaries and remunerations of the senior executives of the Company	4,136	4,155
Salaries and allowances Company's key management and Senior Executives in the subsidiary	319	319
Remunerations of the Board of Directors and Senior Executives of the subsidiary	360	360
Allowances for attending Board of Directors meetings at the Company	504	404
Allowances for attending Board of Directors meetings at the Company the subsidiary	140	135
Board of Directors' remunerations	2,900	3,800

Key managers' benefits include basic salaries, remunerations and other benefits under the Group's policy. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

\* This amount represents the remuneration of the members of the Board of Directors for the year 2021.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

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**36. FINANCIAL INSTRUMENTS**

The Group's activities expose it to a variety of financial risks: Market risk (including currency risk, fair value and cash flow, interest rate risks and price risk), credit risk and liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

**Financial risk management framework**

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are credit risk, currency risk and fair value and cash flow interest rate risks.

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The risk management committee oversees compliance by management with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Financial instruments carried on the balance sheet include cash and cash equivalents, trade and other receivables, financial assets, borrowings, trade and other payables, other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

**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 of three types of risk: Interest rate risk, currency risk and other price risk.

**Interest rate risk cost**

The loans obtained by the Group are carried at variable interest rates based at prevailing market interest rates.

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
<b><u>Variable rate instruments</u></b>		
Loans	<u>256,608</u>	<u>333,300</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**35. FINANCIAL INSTRUMENTS (continued)**

**Interest rate risk cost (continued)**

The table below reflects the possible change of 100 basis points in interest rates at the reporting date on profit or loss assuming all other variables are remain constant.

	<u>Profit / (loss) 2021</u>		<u>Profit / (loss) 2020</u>	
	Decrease in basis points of related commission rates <u>100 bps</u> <u>SR ('000)</u>	Increase in basis points of related to commission rates <u>100 bps</u> <u>SR ('000)</u>	Decrease in basis points of related commission rates <u>100 bps</u> <u>SR ('000)</u>	Increase in basis points of related to commission rates <u>100 bps</u> <u>SR ('000)</u>
Loans	<u>2,566</u>	<u>(2,566)</u>	<u>3,333</u>	<u>(3,333)</u>

**Foreign currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to fluctuations in foreign exchange rates. The Group is not significantly exposed to fluctuations in foreign exchange rates during its normal course of business, as the Group's core transactions during the period were denominated in Saudi Riyals, Jordanian Dinars, and US Dollars. Thus, there are no significant risks associated with transactions and balances denominated in US Dollars.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration risk arises when a number of counterparties engaged in similar business activities or activities in the same geographical region or have economic features that would cause them to fail their contractual obligations. To reduce exposure to credit risk, the Group has developed a formal approval process whereby credit limits are applied to its customers, which are based on comprehensive customer ratings and past repayment rates.

The management also continuously monitors the credit exposure related to its customers and makes provision against those balances considered doubtful of recovery. Standing balances of customers are continuously monitored. Cash and cash equivalents are placed with national banks with sound credit ratings. Trade and other receivables are basically due from customers in local markets and most balances are pledged against effective bank guarantees from local banks with sound credit ratings. Trade and other receivables are stated at their estimated realizable values.

The Management considers reasonable and supportive forward-looking information such as:

- a) Actual or expected significant adverse changes in business,
- b) actual or expected significant changes in the operating results of the counterparty,
- c) financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations,
- d) significant increase in credit risk on other financial instruments of the same counterparty,
- e) significant changes in the value of the collateral supporting the obligation or in the quality of the third-party guarantees or credit enhancements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**35. FINANCIAL INSTRUMENTS (continued)**

**Credit risk (continued)**

The Group's gross maximum exposure to credit risk is as follows:

	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
<b><u>Financial assets</u></b>		
Trade and other receivables	<b>221,906</b>	243,602
Bank Balances	<b>143,436</b>	234,428
Financial investments at amortized cost	<b>210,000</b>	--
	<b><u>575,342</u></b>	<b><u>478,030</u></b>
	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
<b><u>Financial assets</u></b>		
Secured *	<b>485,066</b>	380,749
Unsecured **	<b>90,276</b>	97,281
	<b><u>575,342</u></b>	<b><u>478,030</u></b>

\* As at 31 December 2021, secured financial assets include bank balances and trade receivables amounting to SR 485.066 thousand secured by bank guarantees (31 December 2020: SR 380,749 thousand).

\*\* As at 31 December 2021, unsecured financial assets include other receivables and prepayments to suppliers.

The ageing of trade receivables as at the reporting date is as follows:

<u>Term</u>	<u>31 December 2021</u>		<u>31 December 2020</u>	
	<u>Balance</u> SR ('000)	<u>Impairment in value</u> SR ('000)	<u>Balance</u> SR ('000)	<u>Impairment in value</u> SR ('000)
Neither past due nor impaired	<b>151,360</b>	--	162,824	--
From 0 to 60 days	<b>17,133</b>	--	25,830	--
From 61 to 90 days	<b>8,853</b>	--	7,843	--
More than 90 days	<b>29,781</b>	<b>2,840</b>	28,990	3,587
	<b><u>207,127</u></b>	<b><u>2,840</u></b>	<b><u>225,487</u></b>	<b><u>3,587</u></b>





**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**35. FINANCIAL INSTRUMENTS (continued)**

**Capital management**

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders. and to maintain a strong capital base to support the sustained development of its businesses.

The Group adjusted net debt to equity ratio was as follows:

	<b>31 December <u>2021</u> SR ('000)</b>	31 December <u>2020</u> SR ('000)
Total liabilities	<b>599,784</b>	689,452
Less: Cash at banks	<u>(143,436)</u>	<u>(234,428)</u>
<b>Net liabilities</b>	<b><u>456,348</u></b>	<u>455,024</u>
Total shareholders' equity	<u><b>2,833,326</b></u>	<u>2,947,448</u>
<b>Net liabilities to equity</b>	<b><u><u>0.16</u></u></b>	<u><u>0.15</u></u>

**Fair value of assets and liabilities**

The below table shows the carrying amounts and fair values of the financial assets and liabilities including their levels in the fair value hierarchy. It doesn't include information about fair value of financial assets and financial liabilities not measured at fair value if book value reasonably equals fair value.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**35. FINANCIAL INSTRUMENTS (continued)**

31 December 2021 (SR '000)	Carrying value				Fair value			
	Equity investments at Fair Value through Other Comprehensive Income (FVOCI)	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<i>Financial assets measured at fair value</i>								
Equity investments at Fair Value through Other Comprehensive Income (FVOCI)	149,664	--	--	149,664	149,664	--	--	149,664
	<u>149,664</u>	<u>--</u>	<u>--</u>	<u>149,664</u>	<u>149,664</u>	<u>--</u>	<u>--</u>	<u>149,664</u>
<i>Financial assets not measured at fair value</i>								
Trade receivables, prepayments and other debit balances	--	221,906	--	221,906	--	--	--	--
Financial investments at amortized cost	--	210,000	--	210,000	--	--	--	--
Cash at banks	--	143,436	--	143,436	--	--	--	--
	<u>--</u>	<u>575,342</u>	<u>--</u>	<u>575,342</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<i>Financial liabilities not measured at fair value</i>								
Loans and facilities	--	256,608	--	256,608	--	--	--	--
Trade payables and accruals	--	227,807	--	227,807	--	--	--	--
Lease obligations	--	4,942	--	4,942	--	--	--	--
	<u>--</u>	<u>489,357</u>	<u>--</u>	<u>489,357</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>

**ARABIAN CEMENT COMPANY**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**35. FINANCIAL INSTRUMENTS (continued)**

31 December 2020 (SR '000)	Carrying amount				Fair value			
	Equity investments at Fair Value through Other Comprehensive Income (FVOCI)	Amortised Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<i>Financial assets measured at fair value</i>								
Equity investments at Fair Value through Other Comprehensive Income (FVOCI)	179,981	--	--	179,981	179,981			179,981
	<u>179,981</u>	<u>--</u>	<u>--</u>	<u>179,981</u>	<u>179,981</u>	<u>--</u>	<u>--</u>	<u>179,981</u>
<i>Financial assets not measured at fair value</i>								
Trade receivables, prepayments and other debit balances	--	243,602	--	243,602	--	--	--	--
Cash at banks	--	234,428	--	234,428	--	--	--	--
		<u>478,030</u>		<u>478,030</u>				
<i>Financial liabilities not measured at fair value</i>								
Loans and facilities	--	333,300	--	333,300	--	--	--	--
Trade payables and accruals	--	245,012	--	245,012	--	--	--	--
Lease obligations	--	5,281	--	5,281	--	--	--	--
	<u>--</u>	<u>583,593</u>	<u>--</u>	<u>583,593</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**37. FINANCE COSTS**

Financial charges for the year ended 31 December comprise the following:

	<u>Note</u>	<u>2021</u> SR ('000)	<u>2020</u> SR ('000)
Finance cost charged on the statement of profit or loss under borrowings and bank charges		<b>18,819</b>	25,280
Capitalized finance cost charged under projects in progress under borrowings	7-f	--	880
Finance cost charged on the statement of profit or loss under employee's benefits obligations	22-b	<u>1,135</u>	<u>1,485</u>
		<u><b>19,954</b></u>	<u>27,645</u>

**38. SUBSEQUENT EVENTS**

The Board of Directors, in its meeting held on 26 Rajab 1443H, corresponding to 27 February 2022, recommended cash dividends amounting to SR 150 million for the second half of the financial year 2021 at a rate of SR 1.5 per share. Provided that the dividends are attributable to the shareholders of the Company who own shares on the maturity date registered in the registry of the Company's shareholders in the Securities Depository Center (Edaa) at the end of the second trading day following the day of the Company's General Assembly meeting, the date of which will be announced later, after taking the necessary approvals.

**39. CORRECTION OF PREVIOUS YEARS'S ERRORS**

During the year 2021, the management of the subsidiary company discovered that it had not, by mistake, calculate the deferred tax obligations resulting from temporary differences between the basis of some items of property, plant and equipment accounting and the tax basis for these assets for the years 2013, 2014 and 2015, noting that the subsidiary company has recorded an amount of JD 2.1 million, equivalent to SR 11.2 million, representing amounts paid in advance to the Income Tax Department for these years. The subsidiary has re-presented its data by amending the items of the previous financial statements that were affected by this error in line with the requirements of IAS (8) "Change in Accounting Policies, Change in Accounting Estimates and Accounting Errors".

The following table summarizes the impact on the Group's consolidated statement of financial position as at 31 December 2020 and 1 January 2020, knowing that there is no impact on the consolidated statement of profit or loss and other comprehensive income and the statement of cash flows for the year ended 31 December 2020:

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 December 2021

**38. CORRECTION OF PREVIOUS YEARS'S ERRORS (continued)**

SR ('000)	As at 31 December 2020		
	Balance as previously reported	Prior year adjustments	Balance after adjustment
<b><u>Statement of financial position</u></b>			
(Retained earnings)	(916,690)	38,997	(862,693)
<b>Total equity attributable to Company's shareholders</b>	<b>(2,911,771)</b>	<b>38,997</b>	<b>(2,872,774)</b>
Non-controlling interests	(81,135)	5,961	(75,174)
<b>Total equity</b>	<b>(2,992,906)</b>	<b>44,958</b>	<b>(2,947,948)</b>
Deferred tax liability	(11,158)	(44,958)	(56,116)
<b>Total liabilities</b>	<b>(644,494)</b>	<b>(44,958)</b>	<b>(689,452)</b>

SR ('000)	As at January 1, 2020		
	Balance before representation	Adjustments	Balance after representation
<b><u>Statement of financial position</u></b>			
Prepayments and other receivables	10,640	11,158	21,798
<b>Total assets</b>	<b>3,646,924</b>	<b>11,158</b>	<b>3,658,082</b>
(Retained earnings)	(915,415)	38,997	(876,418)
<b>Total equity attributable to Company's shareholders</b>	<b>(2,883,009)</b>	<b>38,997</b>	<b>(2,844,012)</b>
Non-controlling interests	(74,719)	5,961	(68,758)
<b>Total equity</b>	<b>(2,957,728)</b>	<b>44,958</b>	<b>(2,912,770)</b>
Deferred tax liability	--	(56,116)	(56,116)
<b>Total liabilities</b>	<b>(689,196)</b>	<b>(56,116)</b>	<b>(745,312)</b>

**40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements were approved by the Board of Directors on 27 February 2022, corresponding to 26 Rajab 1443H.