

**YAMAMA CEMENT COMPANY
SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021**

**YAMAMA CEMENT COMPANY
SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021**

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Report on the Audit of the Financial Statements

To the Shareholders of YAMAMA Cement Company

(A Saudi Joint Stock Company)

Opinion:

We have audited the financial statements of YAMAMA Cement Company (the Company), which comprise the statement of financial position as at December 31, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion:

We conducted our audit in accordance with International Standards on Auditing (ISAs) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter, a description of how our audit addressed the matter is set out below:

Key audit matters	How the matter was addressed in our audit
<p>Revenue recognition: During the year ended 31 December 2021, Company's revenue amounted to SAR 735 million (2020: SAR 956 million). The Company's management continues to be have intention to meet goals and expectations which may lead to misstatements in revenue. Revenue recognition is a key audit matter because there is a risk that management may override controls to misrepresent revenue transactions.</p>	<p>We have performed the following procedures regarding revenue recognition:</p> <ul style="list-style-type: none"> - Evaluating the appropriateness of the accounting policies related to the revenue recognition of the Company by taking into consideration the requirements of IFRS 15 "Revenue from Contracts with Clients". - Evaluating the design, implementation and testing of the operational effectiveness of the Company's control procedures, including the control procedures to prevent fraud when recognizing revenue in accordance with the Company's policy. - Testing sales transactions, on a sample basis, and perform cut-off tests of revenue made at the beginning or end of the year to assess whether the revenue has been recognized in the correct period.

Report on the Audit of the Financial Statements (continued)

Key audit matters (continued)	How the matter was addressed in our audit
<p>Property, machinery, equipment, and projects under construction:</p> <p>The property, plant and equipment and projects under construction balances are considered of the high relative importance, as the value of property, plant and equipment amounted to SAR 334 million (2020: SAR 314 million) and projects under construction amounted to SAR 4,485 million as at 31 December 2021 (2020: SAR 4,178 million). There are also matters that require management to use some important estimates and assumptions that affect its balances by determining the productive ages and periodically reviewing those ages and the consequent assessment of depreciation periods and the impact of that on the result of the activity.</p> <p>Projects under construction balances represented mainly in costs of establishing new factory, as its cost, up to the reporting date, that exceeded 76% of Company's total assets and the special procedures required to verify the validity of contracts, proof, timing and conditions for their conversion into property, plant and equipment. Accordingly, property, plant, equipment and projects under construction represented a key audit matter.</p>	<ul style="list-style-type: none"> - Testing revenue transactions, on a sample basis, and verify supporting documents, which included receipt notices signed by clients, to ensure the accuracy and validity of revenue recognition. <p>We have performed the following procedures regarding existence and valuation of property, plant and equipment and projects under construction balances:</p> <ul style="list-style-type: none"> - Evaluating the design and effectiveness of internal control procedures over the accounting cycle for property, plant and equipment and projects under construction. We assessed the adequacy of the capitalization policies and undertook sample-based verification procedures and verified the depreciation policy for the year. We discussed with the management their professional judgment about the nature of items that have been capitalized and the appropriateness of useful lives and related policies in this regard. - We have received the consultant's report as at December 31, 2021 regarding the new factory project (capital works in progress). According to the consultant's report, the new factory project still needs some modifications and the necessary works for the first and second production lines so that the new factory can be operated with full production capacity. According to the consultant's report, it is expected that these modifications and necessary works for the first and second production lines will be completed during the second quarter of 2022. - Property, plant and equipment, and projects under construction were disclosed in notes no. (5) and (6) respectively in the financial statements, and the accounting policy for property, plant and equipment of the Company and projects under construction were disclosed in note no. (3) in the financial statements.
<p>Inventory:</p> <p>As of December 31, 2021, the Company's inventory balance amounted to SAR 282 million (2020: SAR 392 million), which exceeded 53% of Company's total current assets and 5% of total assets, and inventory balance included non-finished goods (clinker) with an amount of SAR 233 million (2020: SAR 373 million). Clinker stocks are in the form of piles in yards and hangars set up for this purpose. Whereas, determining the weight of this stock is not practically possible. The management estimates the available quantities at the year-end by measuring the stock piles and converting the measurements into unit volumes using the stability angle and the quantitative density. To do this, management assigns an independent inspection expert to estimate quantities at the year end.</p>	<p>We have performed the following procedures regarding existence and valuation of inventory balance:</p> <ul style="list-style-type: none"> - Attending the physical inventory count held by the Company and the independent inspection expert. - Obtaining the stock inventory report submitted by the independent inspection expert regarding the stock of raw materials, especially clinker. - Evaluating the design and effectiveness of internal control procedures for the inventory accounting cycle. - Evaluating the appropriateness and adequacy of disclosures related to inventory in the financial statements.

Report on the Audit of the Financial Statements (continued)

Key audit matters (continued)	How the matter was addressed in our audit
<p>Inventory (continued):</p> <p>In addition, the management calculates the cost of sales and the value of inventory at year end based on costs incurred, quantities produced and the inventory balance at year end. Thus the existence and valuation of inventory and cost of sales are affected by the above mentioned inventory count process at year end.</p> <p>With reference to the importance of inventory balance and related valuations and assumptions used, this matter was considered a key audit matter.</p>	<p>- Testing the validity of inventory measurement at cost or net realizable value, whichever is lower.</p>

Other information included in the Company's annual report for the year ended 31 December 2021

Other information consists of other information included in the Company's annual report for the year ended 31 December 2021, other than the financial statements and the auditors' report thereon. We obtained the report of Board of Directors, prior to the date of our Auditors' report and we expect to obtain the remaining section of the 2021 Annual Report after the date of this auditor's report. The Company's management is responsible for the other information mentioned in its annual report .

Our opinion on the financial statements does not cover other information and we do not and will not express any form of assurance conclusion thereon. In our audit of the financial statements, it is our responsibility to read the information described above. In doing so, we consider whether the other information is not materially consistent with the financial statements or knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, 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 Financial Statements

Management is responsible for the preparation and fair presentation for the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Report on the Audit of the Financial Statements (continued)

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

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


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

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

Report on Other Legal and Regulatory Requirements

During our audit of the financial statements, we did not find the Company's violation of the provisions of the Companies Law or the provisions of the Company's Articles of Association.

For Al-Kharashi Co.


Sulieman A. Al-Kharashi
License No. (91)



Riyadh:
Rajab 14,1443H
February 15, 2022G

YAMAMA Cement Company
Saudi Joint Stock Company
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021
(EXPRESSED IN SAUDI RIYALS)

	Note	2021	2020 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment, Net	(5)	334,945,385	314,558,509
Capital works in progress	(6)	4,485,568,523	4,178,703,365
Intangible assets	(7)	10,245,902	5,724,748
Right to use assets, Net	(8)	2,724,594	2,724,449
Investments in associates, Net	(9)	37,292,877	32,560,951
Financial assets at fair value through other comprehensive income	(10)	519,022,277	324,445,658
Total non-current assets		5,389,799,558	4,858,717,680
Current assets			
Accounts receivables	(11)	121,174,783	211,681,836
Inventory	(12)	282,659,724	391,984,692
Prepayments and other debit balances	(13)	21,841,107	23,883,051
Due from related parties	(14)	890,782	638,338
Financial assets at fair value through profit or loss	(15)	32,346,497	35,552,437
Cash and cash equivalents	(16)	74,087,510	71,782,245
Total current assets		533,000,403	735,522,599
TOTAL ASSETS		5,922,799,961	5,594,240,279
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	(1)	2,025,000,000	2,025,000,000
Statutory reserve		726,883,763	726,883,763
Additional Reserve		579,936,772	579,936,772
Retained earnings		761,989,763	596,973,076
Accumulative change in fair value		193,108,987	(1,473,882)
Total Shareholders' Equity		4,286,919,285	3,927,319,729
Non-current liabilities			
Long term loans	(17)	1,178,190,091	1,308,190,091
Lease liabilities - Noncurrent	(8)	1,414,019	1,403,602
Provision for land restoration subject to the franchise license	(20)	1,497,635	1,453,907
Provision for End of Service Indemnity	(21)	110,757,016	103,792,571
Total non-current liabilities		1,291,858,761	1,414,840,171
CURRENT LIABILITIES:			
Accounts payable		179,115,284	112,331,451
Lease liabilities – current	(8)	1,436,251	1,363,448
Due to Related Parties	(14)	1,842,300	1,849,995
Dividend Shares Payable & Other Due to share holders		74,181,929	75,612,036
Accrued expenses and other credit balances	(18)	66,896,296	44,966,102
Provision for Zakat	(19)	20,549,855	15,957,347
Total current liabilities		344,021,915	252,080,379
TOTAL LIABILITIES		1,635,880,676	1,666,920,550
Total Liabilities & Shareholder's Equity		5,922,799,961	5,594,240,279

Finance & IT EVP



CEO



Chairman



The accompanying notes are an integral part of these financial statements.

YAMAMA Cement Company
Saudi Joint Stock Company
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021
(EXPRESSED IN SAUDI RIYALS)

	Note	2021	2020 (restated)
Revenue		735,842,704	956,000,007
Cost of revenue		(508,498,826)	(515,952,479)
Gross profit		227,343,878	440,047,528
Expenses and charges:			
Selling and distribution expenses	(22)	(13,184,764)	(8,242,178)
General and administrative expenses	(23)	(50,377,014)	(60,679,114)
Total expenses		(63,561,778)	(68,921,292)
Net income from main activities		163,782,100	371,126,236
Other income:			
Investment income		9,171,156	44,462,238
Other revenue	(24)	6,144,948	2,959,578
Income for the year before zakat		179,098,204	418,548,052
Provision for zakat	(19)	(18,500,000)	(13,000,000)
Net income for the year		160,598,204	405,548,052
OTHER COMPREHENSIVE INCOME:			
Gains/(losses) on financial assets at fair value through other comprehensive income		194,582,869	(13,155,338)
Difference remeasurement provision for end of service benefits	(21)	3,818,483	(3,879,814)
Gross other comprehensive income/(loss)		198,401,352	(17,035,152)
Gross comprehensive income for year		358,999,556	388,512,900
Earnings per share:			
Earnings per share from main activities		0.81	1.83
Earnings per share from other activities		0.08	0.23
Earnings per share, in riyals	(28)	0.8	2.00

Finance & IT EVP



CEO




Chairman




The accompanying notes are an integral part of these financial statements.

YAMAMA Cement Company
Saudi Joint Stock Company
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021
(EXPRESSED IN SAUDI RIYALS)

	Share capital	Legal reserve	Additional Reserve	Retained Earnings	Change in accumulated fair value	Total
Balance at 1 January 2020	2,025,000,000	726,883,763	579,936,772	296,988,876	11,681,456	3,640,490,867
Adjustment for previous Year	-	-	-	(434,038)	-	(434,038)
Profit for the year (adjusted-Note 32)	-	-	-	405,548,052	-	405,548,052
Dividends paid	-	-	-	(101,250,000)	-	(101,250,000)
Other comprehensive income	-	-	-	(3,879,814)	(13,155,338)	(17,035,152)
Balance at 31 December 2020 (adjusted-Note 32)	2,025,000,000	726,883,763	579,936,772	596,973,076	(1,473,882)	3,927,319,729
Balance at 1 January 2021 (adjusted-Note 32)	2,025,000,000	726,883,763	579,936,772	596,973,076	(1,473,882)	3,927,319,729
Adjustment for previous Year	-	-	-	600,000	-	600,000
Profit for the year	-	-	-	160,598,204	-	160,598,204
Other comprehensive income	-	-	-	3,818,483	194,582,869	198,401,352
Balance at 31 December 2021	2,025,000,000	726,883,763	579,936,772	761,989,763	193,108,987	4,286,919,285

Finance & IT EVP


CEO


Chairman


The accompanying notes are an integral part of these consolidated financial statements.

YAMAMA Cement Company
Saudi Joint Stock Company
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(EXPRESSED IN SAUDI RIYALS)

	Note	2021	2020 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit for the year before zakat		179,098,204	418,548,052
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation and amortization		8,334,702	7,246,230
Provision for obsolescence of spare parts	5	5,000,000	5,000,000
Provision End of Service Indemnity	21	13,771,068	6,234,103
Gain from sale of property, plant and equipment		(30,048)	-
Income from financial assets at fair value through other comprehensive income		(2,494,899)	(38,497,464)
Profit Financial investment at fair value through profit or loss -trading		(1,938,080)	(6,397,108)
(Gain)/Loss in associate companies		(4,731,927)	432,334
Adjusted net income		197,009,020	392,566,147
Accounts receivable		90,507,053	48,135,832
Inventories		109,324,968	220,522,114
Due from related parties		(252,444)	(249,268)
prepayments and other debit balances		2,041,944	4,739,890
Accounts payable		66,783,833	47,196,589
Due to related parties		(7,695)	1,849,995
other credit balances		21,930,194	20,745,054
The change in leasing obligations		83,220	2,767,050
Change in provision of land restoration		43,728	1,453,907
Zakat Paid	19	(13,907,492)	(25,289,187)
Employees' termination benefits paid	21	(3,986,453)	(5,346,864)
CASH FLOWS FROM OPERATING ACTIVITIES:		469,569,876	709,091,259
INVESTING ACTIVITIES			
Change in financial investments at fair value through profit or loss		5,144,020	158,672,053
Purchase of property, plant, and equipment		(1,819,118)	-
Proceeds from sale of property, plant, and equipment		31,398	-
Spare parts Stock		(29,756,050)	(24,991,496)
Change in the right to use the asset		(145)	(2,724,449)
Change in capital works in progress		(312,535,758)	(438,924,473)
Proceeds from investment income		2,501,149	38,497,464
Net cash used in investing activities		(336,434,504)	(269,470,901)
FINANCING ACTIVITIES			
long term loans		-	450,000,000
Repaid amount of the loan		(130,000,000)	(792,641,659)
Dividend payable		(1,430,107)	(98,281,570)
Previous years adjustments		600,000	(434,038)
Net cash used in financing activities		(130,830,107)	(441,357,267)
Net increase/(decrease) in cash and cash equivalents		2,305,265	(1,736,909)
Cash and cash equivalents at 1 January		71,782,245	73,519,154
Cash and cash equivalents at 31 December		74,087,510	71,782,245

The disclosure of non-cash activities in the Note (25).

Finance & IT EVP



CEO



Chairman



The accompanying notes are an integral part of these financial statements.

YAMAMA CEMENT COMPANY

Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2021

(ALL AMOUNTS EXPRESSED IN SAUDI RIYAL UNLESS OTHERWISE STATED)

1. THE COMPANY AND NATURE OF ITS BUSINESS:

a) The Establishing of The Company

Al-YAMAMA Saudi Cement Company is a Saudi Joint Stock Company - formed by Royal Decree No. 15 dated 13/3/1381H – and registered in Riyadh city under Commercial Registration No. 1010001578 dated 18-4-1379H.

b) The Nature of The Company's Activity

The nature of the Company's activity is the production of ordinary Portland cement, salt-resistant cement, clinker cement and finishing cement with industrial license No. (2370) dated 22/09/1439 H.

C) The Company's Capital

YAMAMA Cement Company is a public joint stock Company listed on the Saudi stock market. With a capital of SAR 2,025 million divided into 202,500,000 shares with a value of 10 riyals per share, it is wholly owned by individuals and public institutions.

d) Fiscal year

The Company's financial year is twelve months starts from first January to end of December every year

e) Functional and presentation currency

The financial statements are prepared in Saudi Riyals, which is the functional and presentation currency for the Company, all the numbers are rounded to the nearest Riyal, unless otherwise indicated.

2. THE FAOUNDATIONS OF PREPARATION:

2.1 Statement of commitment

The Company's financial statements were prepared in accordance with the international standards of the financial report adopted in Saudi Arabia and other standards and issues issued by the Saudi Association of Chartered Accountants.

Amendments to International Financial Reporting Standards

The following amendments to International Financial Reporting Standards have been applied by the Company since January 1, 2021.

- Early application of the amendments to International Accounting Standard No. 16 “Property, plant and equipment: revenue before intended use” and the application of this amendment requires an adjustment of the comparative amounts for the year ended December 31, 2020 (Note No. 32).

2.2 Accounting basis

Financial statements are prepared in accordance with the principle of historical cost and using Accrual basis and the concept of continuity of activity, excluding financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss and investments in Islamic Murabaha that are proven at fair value through the statement of profits or losses and investments in associate companies which are recorded in accordance with the method of equity.

YAMAMA CEMENT COMPANY

Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2021

(ALL AMOUNTS EXPRESSED IN SAUDI RIYAL UNLESS OTHERWISE STATED)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES:

The policies used to prepare the financial statements for the year ended December 31, 2021 are the same as those applied in the financial statements for the year ended December 31, 2020.

3.1 Financial assets - recognition and measurement

At the initial recognition, all financial assets are proven at the price of their transactions, which represents fair value, unless the arrangement actually consists of a financing transaction. If the arrangement consists of a financing transaction, the item is measured initially at the current value of future flows discounted at the market interest rate of a similar debt instrument.

After initial recognition, the extinguished cost model (or in some cases the cost model by nature and purpose of the financial asset) is applied to measure the underlying financial instruments.

Loans and receivable

Loans and receivables are non-derivative financial assets with fixed or identifiable payments that are not listed on an active market. They are part of current assets except those with a maturity date of more than 12 months after the end of the reporting period and are classified as non-current assets. Loans and receivables include accounts of commercial debtors and other debtor assets owed by related parties and cash in the fund and at banks.

Trade Receivables

The amounts due from customers for goods sold or services performed in the normal business context are represented. Debtors are proven to be the value of the original invoice minus the amount of doubtful amounts. An estimate of doubtful debts is made when there are fundamental doubts that the full amount cannot be collected. Bad debts are written off when there is no possibility of recovery.

Decrease in the value of financial assets

At the end of the fiscal year, an assessment is made to ensure that there is no objective evidence of a decrease in the value of any financial asset measured in cost or amortized cost. If there is such evidence of depreciation, the loss of depreciation is recognized by the profit or loss statement for that year. The value of the decline in value is determined as follows:

- A) For fair-value assets, the depreciation represents the difference between cost and fair value, minus any loss of value previously demonstrated in the earnings or loss statement.
- B) For cost-included assets, the depreciation represents the difference between the amount listed and the present value of future cash flows discounted by the current market rate of return from a similar financial asset line.
- C) For assets listed at the amortized cost, the decrease in value represents the difference between the amount listed and the present value of future cash flows discounted by the original actual commission rate.

3.2 Financial obligations - recognition and measurement

Financial obligations are classified according to contractual arrangements and include creditors, amounts payable and loans. All financial obligations are initially recognized at fair value, after the first proof of direct transaction costs are proven based on the cost extinguished using the actual commission rate over the life of the instrument and are included in the statement of profits or losses.

Loans are classified as current liabilities unless the Company has an unconditional right to postpone payment for at least 12 months after the date of the financial position statement.

Creditors and Accounts payable

Commercial creditors are reimbursed for future payments for goods and services received, whether or not they are invoiced by suppliers.

YAMAMA CEMENT COMPANY

Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2021

(ALL AMOUNTS EXPRESSED IN SAUDI RIYAL UNLESS OTHERWISE STATED)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued):

3.3 Cash and cash equivalents

For the purposes of preparing the cash flow statement, cash and equivalent cash consists of the Fund, banks and Murabaha deposits, with a maturity period of three months or less from the date of acquisition.

3.4 Inventory

The inventory of raw materials, incomplete production, packing bags, etc. is assessed on the basis of cost and the moving weighted average method, and the total production stock is assessed at cost or net value recovered whichever is lower. The inventory is reduced by the value of stagnant and slow-moving items according to management estimates and inventory movement.

3.5 Investments in associate companies

An associate Company is one over which the Company has the ability to exert significant influence, but not joint control or control, by participating in the financial and operational decisions of the Company's investor. The Company owns a minimum 20% stake in its capital.

These investments are accounted for in a proprietary manner. They are proven by cost and subsequently adjusted in light of the change in the Company's share of the Company's net assets invested in it. The Company's share of the Company's net profit and loss is included in the list of earnings or losses. Losses of an associate Company that exceeds the Company's ownership rights are not recognized.

3.6 Property, machinery and equipment

Property, machinery and equipment appear at cost minus accumulated depreciation and any decrease in value. The cost is consumed minus the residual estimated value of property, machinery and equipment (excluding land where it is not consumed) in a fixed-installment manner over its projected production life span using the following annual depreciation ratios:

• Buildings, construction, facilities and roads	3-10%
• Factory machinery and equipment	7-15%
• Oven improvements	20-50%
• Vehicles and transport	25%
• Tools	10%
• Furniture and office equipment	20%
• Machine parts and furnaces (*)	

(*) Machinery and equipment parts are assessed at cost and a fixed obsolescence allocation is calculated annually for them, and the Company's management has carried out a comprehensive study with regard to machine parts and furnaces to determine what will be consumed during the periods to the date of transition on the new plant, as well as the management laid the foundations for determining the fair value of the rest of the items consumed and will be sold, and is currently completing the study of fair values and indicated on the basis of the foundations and assumptions prepared by the technical department of the Company.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued):

3.6 Property, machinery and equipment (continued)

The book value of property, machinery and equipment is audited to ensure a decrease in its value when events or changes in circumstances indicate that the book value cannot be recovered. If such evidence exists and the book value is greater than the recoverable value, the value of property, machinery and equipment is reduced to the recoverable value, which represents the greater value of the equitable value of the asset minus the sale costs or the present value of cash flows for the estimated future benefits of that asset.

The profit or loss resulting from the exclusion or disposal of an asset is determined on the basis of the difference between the net extracted from the exclusion and the book value of the asset and recognizes it in the statement of profits or losses.

Improvements to rented buildings are extinguished in a fixed-rate manner over the productive life of improvements or rental period, whichever is shorter.

Carry repair and maintenance expenses on the list of profits or losses. Improvements that substantially increase the value or age of the asset in question are capitalized.

The remaining values, age of use and method of consumption are reviewed at the end of each fiscal year and the impact of any changes in estimate is calculated on the future basis.

The main parts of the property, machinery and equipment are recognized at cost and subsequently assessed in the manner of the weighted average.

3.7 Intangible assets

Intangible assets with specified production ages purchased separately are included in the cost minus accumulated extinguishment and accumulated depreciation losses. Fire is recognized on a fixed premium basis over their estimated useful life. Estimated useful life and the method of extinguishing at the end of each reporting period should be reviewed, and the effects of any changes in estimates are calculated on a future basis. Intangible assets with undefined useful life purchased separately are listed at cost minus losses that have decreased the accumulate value.

The Company applies annual fire rates to its intangible assets:

- Software licenses 20%

Any intangible asset is excluded as soon as it is disposed of or when no future economic benefits are expected from its use or disposal.

Gains or losses resulting from the exclusion of intangible asset, calculated on the basis of the difference between net sales intake and the book value of the asset, are recognized in gains or losses when the asset is excluded.

At the end of each reporting period, the Company reviews the book values of its tangible and intangible assets to determine whether there is any indication that those assets have suffered impairment losses. If such indicators exist, the recoverable value of the asset is estimated in order to determine the extent of loss of depreciation (if any). When it is not possible to estimate the refundable amount for a single asset, the Company estimates the refundable amount for the cash generating unit to which the asset belongs. When a reasonable and consistent basis for distribution can be established, the Company's assets are also distributed to individual cash generating units, or otherwise distributed to the smallest set of cash units for which a reasonable and consistent basis can be determined.

The refundable amount exceeds the fair value minus the sale cost and the value generated by the use. When estimating the value of use, estimated future cash flows are deducted from their current value using the pre-tax discount rate that reflects current market assessments of the time value of the money and the specific risks of the asset for which future cash flows have not been adjusted.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued):

3.7 Intangible assets (continued)

If the refundable amount (cash generating unit) is less than its book value, the book value (cash generating unit) of the asset is reduced to its refundable amount. A loss of depreciation is listed directly in profits or losses.

If the loss of value is subsequently reversed, the book value of the asset (or cash generating unit) must be increased to the adjusted estimates of the recoverable amount, but so that the increased book value does not exceed the book value that could have been determined if the loss of value of the asset (or cash generating unit) was not acknowledged in previous years. The loss of impairment is recognized directly in profits or losses.

3.8 Capital works in progress

The capital works under implementation include all assets that are capitalized for incompleteness as well as existing projects and are proven at cost, including all costs from contractors' dues, material value and consultant fees.

3.9 Borrowing costs

Borrowing costs directly related to the creation of eligible assets, which require a long period of time to be ready for the required use, are capitalized upon completion of all necessary activities related to the preparation of the eligible asset for the purpose for which it was created. All other borrowing costs are established as an allowance and are placed on the list of profits or losses in the period in which they occurred.

3.10 Provision End-of-Service indemnities

The Company provides severance pay compensation to its employees in accordance with the provisions of the labor and workers' system in Saudi Arabia, which is entitled on the basis of the employee's final wage, length of service and completion of the minimum period of service.

The end-of-service obligation is calculated by estimating the value of future benefits that are due to employees in current and previous periods and the value is deducted to reach the current value.

The Company makes assumptions that are used when determining key elements of costs in order to meet these future liabilities. These assumptions are made after

Consulting the Company's actuarial expert and include those used to determine the cost of the normal service as well as the financing elements of liabilities. A qualified actuary calculates the commitment to the specified benefits using the amounts due by unit method.

A reassessment of specific benefit obligations consisting of actuarial profits and losses is recognized directly in the list of other comprehensive income. The Group determines the interest expense on the specific benefit obligations for the year by applying the discount rate used to measure the specific benefit obligations at the beginning of the year after taking into account any change in net benefit obligations specified during the year as a result of contributions and payments for liabilities. Net interest and other expenses related to the benefit plans specified in the consolidated profits or losses statement are recognized.

3.11 Retirement benefit costs

The Company contributes to the costs of employee retirement benefits in accordance with the regulations of the General Social Insurance Corporation and is calculated as a percentage of employees' wages. Payments to government-managed retirement benefit plans are treated as payments to specific contribution plans as the Company's obligations against these plans are equivalent to those established in a specific contribution retirement plan. Payments to retirement benefit plans carry a specific contribution as an allowance when they are due.

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3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued):

3-12 Regular Reserve

In line with the requirements of the Saudi Arabian Company's corporate system and the Company's statutes, the Company builds a regular reserve of 10% of the annual net profit until this reserve reaches 30% of the capital. The reserve is not available for distribution as dividends.

3.13 Extra reserve

Under the Company's statutes, an additional reserve is formed for the Company and this reserve is used by a decision of the Ordinary General Assembly of Shareholders.

3.14 Zakat

- The Company is subject to zakat in accordance with the instructions of the General Authority for Zakat and Income in Saudi Arabia and is formed a provision for the estimated zakat.
- Zakat due is calculated on the basis of 2.5% of the zakat or adjusted net income whichever is more.

3.15 Revenue generated

The revenue is measured on the basis of the corresponding that the Company expects to be entitled through the contract with the customer where the amounts collected on behalf of third parties are excluded, the revenue is recognized when control of the goods or service is transferred to the customer.

Selling goods

For the sales of goods to the market, the revenue is recognized when the control of the goods is transferred, and when the goods are shipped to the specified customer's location (delivery) the receivables are recognized by the Company when the goods are delivered to the customer where it represents the point of time at which the right to collect the outstanding amounts becomes unconditional, which means that those amounts are due directly when the purchase is made. Revenue is recognized when the control of the goods is transferred, being at the point of purchase of the goods at the point of sale and the agreed value is paid immediately when the customer purchases the goods.

Dividend income

Dividend income is recognized after shareholders' right to receive dividend payments is declared and there is a possibility of economic benefits and the amount of revenue can be reliably measured.

Other income

Other income is recognized in accordance with the principle of entitlement.

3.16 Expenses

Production costs and direct and indirect production-related expenses are classified as sales costs. All other expenses are classified as general and administrative expenses or sales and distribution expenses.

3.17 Foreign Exchange Translation

Transactions made during the period in foreign currencies are transferred to Saudi riyals at the prevailing transfer rates at the date of the transactions.

3.18 Earnings per share

Earnings per share from major operations and dividends per share from net profit are calculated by dividing profit from major operations and net profit on the weighted average number of shares at the end of the year.

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3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued):**3.19 Dividends**

Dividends are confirmed in the financial statements in the year in which the General Assembly approves these dividends.

3.20 Transactions with related parties

Parties are related parties because of their ability to exercise control over the Company or to exert significant influence or joint control over the Company's financial and operational decisions. Also, companies are related

parties when the Company can exert influence, or jointly control the financial and operational decisions of these parties.

Transactions with related parties usually involve the transfer of resources, services, or obligations between the parties.

4. MEASURING FAIR VALUE:

A) Fair value is the amount received when an asset is sold or paid to transfer a liability in an organized transaction between market participants on the date of measurement. Fair value measurement assumes that the transaction to sell assets or to transfer the liabilities line occurs either:

1. In the main market of asset or liabilities. Or
2. In the absence of the main market, in the most preferred market for asset or liabilities.

The fair value of the asset or liability line is measured using assumptions that market participants will use when pricing the asset line or liabilities, assuming that market participants act on the basis of their economic interest.

Measuring the fair value of non-financial assets takes into account the ability of the market participant to achieve economic advantages by using the asset line at the highest and best use of it or by selling it to another market participant who will use the asset line at the highest and best use.

All assets and liabilities for which fair value is measured or disclosed in financial statements are classified into the fair value hierarchy, described as follows, based on the minimum input needed to measure fair value as a whole:

Level 1. (unadjusted) market prices in active markets for similar assets or liabilities.

Level 2 - valuation techniques that use the minimum inputs required to measure fair value and directly or indirectly observe

Level 3 - other valuation techniques that use the minimum inputs required to measure fair value but are not based on observable market data.

With regard to the assets and liabilities recognized in the financial statements on a recurring basis, the Company determines whether the transfers were made between levels in the sequence by reassessing the classification (based on the minimum input needed to measure the fair value as a whole) at the end of each year to prepare the financial reports.

B) Book values and fair value

Below are the levels in the hierarchy of financial instruments measured at fair value:

December 31, 2021	Level 1 SAR	Level 2 SAR	Level 3 SAR	Total SAR
Financial assets at fair value				
Through profit or loss	-	32,346,497	-	32,346,497
Through other comprehensive income	48,772,411	-	470,249,866	519,022,277
	48,772,411	32,346,497	470,249,866	551,368,774

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4. FAIR VALUE MEASUREMENT (continued):

Financial assets at fair value December 31, 2020	<u>Level 1</u> SAR	<u>Level 2</u> SAR	<u>Level 3</u> SAR	<u>Total</u> SAR
Through profit or loss	-	35,552,437	-	35,552,437
Through other comprehensive income	43,189,488	-	281,256,170	324,445,658
	43,189,488	35,552,437	281,256,170	359,998,095

C) Fair value measurement

The following table shows the evaluation methods used to measure the fair value of the second level as at December 31, 2021. and December 31, 2020. addition to the substantial inputs used, which are not observed.

<u>Type</u>	<u>Evaluation method</u>	<u>Unobserved material input</u>	<u>The relationship between unobserved core inputs and fair value measurement</u>
Sukuk and investment funds	Evaluations are based on prices received by the portfolio manager at the end of each year and on closing prices for the net value of the declared assets.	Not applicable.	Not applicable.
Investment in unlisted companies	Cost that falls within the range of potential fair value measurements as the best estimate of fair value	Not applicable.	Not applicable.

5. PROPERTY, PLANT, AND EQUIPMENT:

	<u>2021</u>	<u>2020</u>
Property, Plant, and Equipment (Note 5-1)	65,379,626	69,748,800
ADD:		
Spare Parts Machineries and Furnaces	346,729,109	316,973,059
Prov. for Spare Parts Machinery and Furnaces	(77,163,350)	(72,163,350)
Spare Parts Machinery and Furnaces Net	269,565,759	244,809,709
Total	334,945,385	314,558,509

The management has carried out a comprehensive study regarding the inventory of Spare Parts Machineries and Furnaces to determine what will be depreciated during the coming periods until the date of the transfer to the new factory, they also established the basis for determining the fair values of the rest of the depreciated items or the ones that will be sold, and currently they are finishing up studying Fair values referred to above based on the foundations and assumptions prepared by the technical management of the Company.

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5. PROPERTY, PLANT, AND EQUIPMENT (continued):

Based on the decision of the Board of Directors to form a provision for the aging of Spare Parts for Kilns and Machineries in the amount of 5 million riyals per year, the movement of the provision was as follows:

	2021	2020
Balance at Beginning of the Year	72,163,350	67,163,350
Provided during the Year	5,000,000	5,000,000
Balance at End of the Year	<u><u>77,163,350</u></u>	<u><u>72,163,350</u></u>

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1/5. PROPERTY, PLANT, AND EQUIPMENT (continued):

	Land	Building, Construction	Plants & Machinery of the Factory	Vehicles	Tools	Furniture & Office Equipment	Total
Cost							
Balance at January 1,2021	12,234,510	1,244,802,512	2,836,051,971	24,840,562	11,458,930	40,083,628	4,169,472,113
Adjustments	-	-	-	1,686,258	65,000	67,860	1,819,118
Disposals	-	-	-	(443,000)	(1,350)	-	(444,350)
Balance at December 31,2021	<u>12,234,510</u>	<u>1,244,802,512</u>	<u>2,836,051,971</u>	<u>26,083,820</u>	<u>11,522,580</u>	<u>40,151,488</u>	<u>4,170,846,881</u>
Accumulated depreciation							
Balance at January 1,2021	-	1,205,366,938	2,831,668,362	24,475,848	8,893,527	29,318,638	4,099,723,313
Depreciation	-	1,355,866	976,675	462,532	416,929	2,974,940	6,186,942
Disposals	-	-	-	(443,000)	-	-	(443,000)
Balance at December 31,2021	<u>-</u>	<u>1,206,722,804</u>	<u>2,832,645,037</u>	<u>24,495,380</u>	<u>9,310,456</u>	<u>32,293,578</u>	<u>4,105,467,255</u>
Net Book Value at							
Balance at December 31,2021	<u>12,234,510</u>	<u>38,079,708</u>	<u>3,406,934</u>	<u>1,588,440</u>	<u>2,212,124</u>	<u>7,857,910</u>	<u>65,379,626</u>
Balance at December 31,2020	<u>12,234,510</u>	<u>39,435,574</u>	<u>4,383,609</u>	<u>364,714</u>	<u>2,565,403</u>	<u>10,764,990</u>	<u>69,748,800</u>

The Company's factory along with its building and related facilities are erected on land owned by the Company and It has not been evaluated at fair value at the date of the attached financial statements.

The Company's Board of Directors approved at its meeting on October 17, 2016 the suggestion to sell the old building in Batha, the building was evaluated by an evaluator where its estimated value was 48,677,920 SAR and this evaluation was not updated during the last year or the current year. because the management does not have a binding plan nor an active program or serious offers to complete the sale process, so it has been kept within fixed assets as it is fully depreciated in the books.

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6. CAPITAL WORKS IN PROGRESS:

	2021	2020 (adjusted)
*New Yamama factory project	4,481,239,523	4,169,775,951
IT project for purchasing and finance	4,329,000	8,927,414
Total	4,485,568,523	4,178,703,365

* This balance represents the costs of establishing the new factory, which was expected to be capitalized during the year 2021, and due to the continuing repercussions of the Corona Virus (Covid-19) pandemic and conducting many tests according to the consultant's report as of December 31, 2021, the new factory project still needs some modifications and necessary works For the first and second production lines until the new factory is fully operational. According to the consultant's report, it is expected that these modifications and the necessary works for the first and second production lines will be completed during the second quarter of 2022.

The main contractors for factory construction are as follows:

Name of contractor	Total cost of contract	Amount paid until December 31, 2021
industrial solutions AG Thyssen Krupp	2,800,000,000	2,568,700,000
GAS Arabian Services	301,000,000	272,900,000
Wärtsilä Power Contracting Co. Ltd	480,000,000	479,600,000
Al-Arini Contractors	231,700,000	179,500,000

7. INTANGIBLE ASSETS:

	2021	2020
Cost:		
Balance at Beginning of the year	6,848,600	1,185,407
Transfer from capital works in progress	6,668,914	5,663,193
Total costs	13,517,514	6,848,600
Amortization:		
Balance at Beginning of the year	1,123,852	256,840
Amortization during the year	2,147,760	867,012
Total	3,271,612	1,123,852
Balance	10,245,902	5,724,748

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8. Leasing contracts

	2021	2020
Right to use assets		
Cost:		
Balance at Beginning of the year	5,449,192	5,449,192
Adjustment during the year	1,362,445	-
Balance at the end of the year	6,811,637	5,449,192
Amortization:		
Balance at Beginning of the year	2,724,743	1,362,445
Amortization during the year	1,362,300	1,362,298
Balance at the end of the year	4,087,043	2,724,743
Net book value	2,724,594	2,724,449
Leasing obligations		
	2021	2020
The present value of obligations		
Cost:		
Balance at Beginning of the year	2,767,050	4,086,747
Interest	83,220	124,303
Paid	-	(1,444,000)
Balance at the end of the year	2,850,270	2,767,050
The current portion of leasing obligations	1,436,251	1,363,448
Non-current portion of leasing obligations	1,414,019	1,403,602
Total	2,850,270	2,767,050

9. INVESTMENTS IN ASSOCIATE COMPANIES:

	Percentage equity %	2021	2020
Arabian Yamani Cement Joint Stock Co.- Private	20%	75,060,000	75,060,000
Less: Provision for Investments		(75,060,000)	(75,060,000)
Net, Investment in Saudi Yamani co.		-	-
Cement Product Industry Co. Ltd.	33.33%	37,292,877	32,560,951
Total		37,292,877	32,560,951

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10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME:

	Percentage equity %	2021	2020
Investments in Securities:			
Industrialization & Energy Service Co. (Joint Stock Co.)	% 5.63	470,249,866	281,249,920
Al-Kian Petrochemical Co.- KIAN	%0.31	-	6,250
		<u>470,249,866</u>	<u>281,256,170</u>
Investment In Real estate funds			
Real estate funds		48,772,411	43,189,488
Total		<u>519,022,277</u>	<u>324,445,658</u>

The movement on financial assets at fair value through other comprehensive income during the year ended on 31 December 2021 as follows:

	2021	2020
Balance at 1 January	324,445,658	397,600,996
Disposals during the year	(6,250)	(60,000,000)
Change in fair value during the year	194,582,869	(13,155,338)
Balance at 31 December	<u>519,022,277</u>	<u>324,445,658</u>

11. TRADE RECEIVABLES:

	2021	2020
Accounts receivables	91,021,204	158,917,269
Advance to suppliers	30,153,579	52,764,567
Total	<u>121,174,783</u>	<u>211,681,836</u>

Trade receivables generally have a term of 30 to 90 days. There is no provision for credit losses as the balance of trade receivables as at 31 December 2021 is fully covered against letters of guarantee received from customers.

12. INVENTORY:

	2021	2020
Production in Process clinker	233,639,697	373,203,847
Production in Process other	20,973,443	3,838,720
Finished Goods	13,264,665	4,462,264
Fuel and oil	7,039,740	6,060,530
Raw materials	3,102,281	2,248,754
Packing bags	4,639,898	2,170,577
Total	<u>282,659,724</u>	<u>391,984,692</u>

13. PREPAYMNETS AND OTHER DEBIT BALANCES:

	2021	2020
Pre-paid expenses	12,007,880	12,822,365
Other debit balance	3,727,317	3,133,109
Employees Funds	3,351,682	4,140,205
other	2,754,228	3,787,372
Total	<u>21,841,107</u>	<u>23,883,051</u>

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14. RELATED PARTIES:

Dealing with related parties are in ordinary scope of work for the Company. Determining the value of those transactions by fair value.

	<u>Nature of relationship</u>	<u>2021</u>	<u>2020</u>
Due from Related Parties:			
Arabian Yamani Cement Joint Stock Co.- Private	Associate	890,782	638,338
Due to Related Parties:			
Cement Product Industry Co. Ltd.	Associate	1,842,300	1,849,995

Significant year end balances arising from transactions with related parties are as follows:

<u>Name of related party</u>	<u>Type of Transactions</u>	<u>2021</u>	<u>2020</u>
Cement Product Industry Co. Ltd.	Purchasing Packing Paper Bags	16,302,368	14,445,728
Arabian Shield Co-operative Insurance Co. Saudi Joint Stock Co.	Insurance	13,545,982	13,569,841
Arabian Yamani Cement Joint Stock Co.- Private	Services	252,444	249,268
Mobile Telecommunication Company Saudi Arabia -Zain-	Communication services	1,543,879	252,129
Al Rajhi Bank	Bank facilities	563,000,000	-

The Chairman of Board of Directors of the Arabian Shield Co-operative Insurance Company is a member of the Board of Directors of the Company.

The Chairman of Zain is a member of the Board of Directors of the Company.

Board member of Arabian Shield Co-operative Insurance Company is a member of the Board of Directors of the Company.

The Chairman of the Board of Directors of Al Rajhi Bank is the brother of the member of the Board of Directors of the company.

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14. RELATED PARTIES (continued):

Transactions with members of the Board of Directors and senior executives:

Related party transactions are mainly the salaries, allowances and remunerations of senior executives. Senior management personnel are the persons who exercise authority and responsibility in planning, directing and controlling the Company's activities, directly or indirectly, including directors and shareholders (whether executive or non-executive). That). The item on salaries, wages and the like during the year ending on December 31, includes the following:

<u>Transaction with</u>	<u>Nature of transaction</u>	<u>2021</u>	<u>2020</u>
Senior Executives	Salaries and allowances	<u>7,995,893</u>	<u>8,140,532</u>
Senior Executives	End of service	<u>2,550,313</u>	<u>6,980,443</u>
Board of Directors	Remuneration	<u>2,050,000</u>	<u>3,400,000</u>

The reward for attending committees for the year ended December 31, 2021 was SAR 294,000 compared SAR 339,000 in December 31, 2020.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/ INVESTMENTS:

	<u>2021</u>	<u>2020</u>
Rajhi Fund-speculation	-	25,022,221
Falcom Murabaha Fund	32,346,497	10,530,216
	<u>32,346,497</u>	<u>35,552,437</u>

16. CASH AND CASH EQUIVALENTS:

	<u>2021</u>	<u>2020</u>
Cash at bank	74,043,572	71,746,365
Cash in hand	43,938	35,880
Total	<u>74,087,510</u>	<u>71,782,245</u>

17. LONG TERM LOANS:

	<u>2021</u>	<u>2020</u>
Saudi Industrial Development Fund	615,000,000	745,000,000
Al Ahli commercial bank and Samba group	-	563,190,091
Al Rajhi bank	563,190,091	-
Total	<u>1,178,190,091</u>	<u>1,308,190,091</u>
divided into:		
Short portion of long-term loans	-	-
Long term portion of long-term loans	1,178,190,091	1,308,190,091
	<u>1,178,190,091</u>	<u>1,308,190,091</u>

No current portion of long-term loans on December 31, 2021, as the Company paid early on part of its loan installments in the amount of SAR 130 million before the end of the fiscal year on December 31, 2021.

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17. LONG TERM LOANS (continued):**Saudi Industrial Development Fund:**

On December 20, 2016, the Company received long-term financing which was in accordance with sharia laws of SAR 900 million from the Saudi Industrial Development Fund to finance the construction of a new Al Yamama cement plant in the Northern Halal area of Al-Kharj, Riyadh. With a guarantee mortgage of the new plant assets. which are in addition to order bonds for the loan to be repaid on 12 semi-annual payments as of 2020.

The Company settled an amount of SAR 130 million against the loan during December 2020 as an early settlement.

The Company has also made the following pledges:

- The ratio of the current assets to the current liabilities should not be less than 1:1 throughout the life of the loan.
- That the ratio of total liabilities to net tangible value not be less than 3: 1 throughout the life of the loan.
- There are no restrictions on the profits allocated for distribution, annual rents and capital expenditures as long as the Company is committed to paying the loan installments.

Al-Rajhi Bank:

On March 25, 2021, the Company has signed an Islamic Murabaha agreement with Al-Rajhi Bank in compliance with Islamic Sharia, according to which the Company obtains partial bank facilities in the amount of SAR 863 million, of which only the amount of SAR 563 million was utilized for the purpose of repaying the National Bank and Samba loan, which was fully paid on March 30, 2021, according to the following:

- These facilities are secured by promissory notes, provided that the loan is repaid in 6 semi-annual installments starting from September 2023.

The Company has also made the following pledges:

- The ratio of the current assets to the current liabilities should not be less than 1:1 throughout the life of the loan.
- The ratio of net profit before depreciation and amortization and provision for inventory obsolescence to total debt is not less than 3:2 throughout the loan term.
- The total assets minus total liabilities minus intangible assets not be less than 3000 million SAR throughout the loan term.
- The ratio of total liabilities to total equity (DSCR) not exceed 1:2 throughout the term of the loan.

18. ACCRUED EXPENSES AND OTHER CREDIT BALANCES:

	2021	2020
Advanced from customers	33,519,738	12,308,094
Accrued expenses	14,052,244	8,284,928
Employee's dues	9,209,470	9,159,483
Accrued taxes	6,190,349	9,935,542
Other credit balances	3,924,495	5,278,055
Total	66,896,296	44,966,102

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19. PROVISION FOR ZAKAT:**A) Zakat Calculations:**

	2021	2020
Book Net profit	160,000,000	363,000,000
Provision made during the year	19,769,382	19,069,446
Adjusted profit	179,769,382	382,069,446
Total added items	5,605,779,958	5,105,814,113
Total subtracted items	(5,468,866,029)	(4,959,150,953)
Estimated Zakat base	316,683,311	528,732,606
Estimated Zakat by 2.5% of the Zakat base	7,917,083	13,218,315

B) The movement in zakat provision is as follows:

	2021	2020
Balance in 1 January	15,957,347	28,246,534
Paid during the Year	(13,907,492)	(25,289,187)
Provided during the Year *	18,500,000	13,000,000
Balance at 31 December	20,549,855	15,957,347

* The amount of zakat provided during the year includes zakat differences from previous years, amounting to 10.5 million SAR.

C) Zakat position:

The Company submitted its Zakat Declaration up to the Year 2020. The Company paid Zakat due according to these Declarations and obtained the final assessment until the year 2012. Also, they received a certificate for the years 2012 to 2020.

20. Provision for the rehabilitation of areas subject to the franchise license:**The present value of provision:**

	2021	2020
Balance in 1 January	1,453,907	1,410,990
Interest	43,728	42,917
Balance at 31 December	1,497,635	1,453,907

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21. PROVISION FOR EMPLOYEE'S TERMINAL BENEFITS:

	<u>2021</u>	<u>2020</u>
Balance in 1 January	103,792,571	96,245,510
Provided during the Year	12,791,943	6,234,103
Interest cost	1,977,438	2,780,008
Paid during the Year	(3,986,453)	(5,346,864)
Provision Re-measurement according to Actuarial computation	(3,818,483)	3,879,814
Balance at 31 December	<u>110,757,016</u>	<u>103,792,571</u>

The main assumptions for the actuarial valuation were as follows:

	<u>2021</u>	<u>2020</u>
Salary increase rate	%4	4%
Discount rate	%2.40	1.90%

22. SELLING AND DISTRIBUTION EXPENSES:

	<u>2021</u>	<u>2020</u>
Salaries and Benefits	6,310,497	5,451,602
Shipping expense	5,545,416	1,871,099
End of service	728,463	656,152
Advertisement	193,572	-
Depreciation	107,704	96,204
Training Expenses	100,212	70,769
Donation	93,300	-
maintenance	12,781	638
Insurance	10,810	2,191
Fees & Subscription	5,521	28,755
Out of stock	2,609	64,434
Other expenses	73,879	334
Total	<u>13,184,764</u>	<u>8,242,178</u>

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23. GENERAL AND ADMINISTRATIVE EXPENSES:

	2021	2020
Wages	29,017,517	33,283,684
Depreciation	5,633,530	3,706,817
End of service	4,312,004	4,382,743
Fees & Subscription	2,540,315	3,562,613
Donation	1,752,000	3,740,000
Maintenance	1,623,571	1,645,037
Water & Electricity	828,606	573,457
Others expenses	760,470	1,480,840
Training	301,210	109,180
Bank charger	158,652	339,452
Insurance	123,913	271,724
Out of stock	101,358	7,404
Advertisement	37,423	-
Other	3,186,445	7,576,163
Total	50,377,014	60,679,114

24. OTHER REVENUE:

	2021	2020
Customs fees refundable and other	4,682,895	2,789,268
Earned discount	976,313	-
Rent revenue	274,743	-
Foreign exchange	180,951	-
Scrap sale	30,046	170,310
Total	6,144,948	2,959,578

25. NON-CASH ACTIVITIES

	2021	2020
Un-Realizable Gain from Investments	191,489,120	(13,155,338)
Transfer from provision of employee liabilities to capital work-in-progress	998,314	2,912,545
Transfer from capital work-in-progress to assets	6,668,914	6,834,760

26. FAIR VALUE OF FINANCIAL TOOLS:

Fair value is the amount received when an asset is sold or paid to transfer a liability in an organized transaction between market participants on the date of measurement. The Company's financial instruments consist of financial assets and financial liabilities.

The Company's financial assets consist of cash and its judgment, commercial debtors and payments to suppliers and other debtor assets due from related parties.

Financial liabilities consist of credit suppositions and receivables to related parties and other credit balances.

The fair value of financial instruments is not fundamentally different from their listed value, unless otherwise indicated.

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27. RISK MANAGMENT:

Credit risk

Credit risk represents one party's inability to meet its obligations, resulting in the other party incurring financial loss. The Company is committed to managing customer-related credit risk by setting credit limits for each customer and monitoring existing debits.

Special commission price risk

Special commission price risk relates to the risks resulting from the fluctuation of the value of a financial instrument as a result of the change in the prevailing commission rates in the market, and the Company is subject to the risk of special commission rates on its assets associated with special commissions such as Murabaha deposits and credit facilities.

Liquidity risk

Liquidity risks represent the Company's difficulties in providing funds to meet financial instrument obligations. Liquidity risk results from the inability to sell a financial asset quickly at an amount equivalent to its fair value. The Company manages liquidity risks by maintaining cash balances with banks and ensuring that adequate facilities can be obtained, if necessary, to continuously cover its short-term obligations.

The terms of collection include the collection of the value of the sales within a period of 30 to 60 days from the date of sale and that the purchases are paid within a period of 30 to 60 days from the date of purchase.

Currency risk

Currency risk resulting from fluctuating value of financial instruments is the result of changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates during its normal business cycle. The Company did not conduct any significant transactions in currencies other than the Saudi riyal, US dollar and euro during the year.

28. SHARE OF PROFIT FOR THE YEAR:

Profit per share by division of profit for the year is calculated by the weighted rate of the number of shares during the year and stated as follows:

	December 31, 2021	December 31, 2020 (adjusted)
Profit for the year of the Company's shareholders	160,598,204	405,548,052
Weighted average number of shares	202,500,000	202,500,000
Share of profit for the year	0.8	2.00

- There were no reduced list shares during the year, so the reduced return per share is equal to the underlying return per share.

29. GEOGRAPHICAL DISTRBUTION:

All of the Company's assets and liabilities are located in Saudi Arabia except for investments in The Yemen-Saudi Cement Company, which is headquartered in Yemen.

30. SEGMENT INFORMATION:

The Company's main business is one product locally and therefore does not report on the operating sectors in multiple products or geographical areas.

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31. CONTINGUOUSION AND COMMITMENTS:

- A. The Company engages in commitments related to substantial capital expenditures, mainly in connection with the construction of the new YAMAMA plant. Existing capital expenditure commitments as of December 31, 2021: SAR 389 million (as of December 31, 2020: SAR 378 million).
- B. The potential liabilities are the value of the letters of guarantee issued to third parties by the Company, which amounted to SAR 59 million as of December 31 2021 for third-party services (56.4 million letters of guarantee and letter of credits of SAR 7.7 million for the fiscal year ended December 31, 2020).
- C. There is a legal case filed by a public prosecutor from one of the governmental bodies against the Company, and the Committee for Adjudication of Competition Law Violations decided to impose a fine on the Company, but the Company's management and its legal advisor believe that this decision is not final and that the Company has strong arguments to respond to this case and there is no need to record any provision for it. Special procedures are being taken to challenge this decision in the administrative court.

32. RESTATEMENT OF FIGURES FOR COMPARATIVE PERIODS:

As indicated in Note No. (2-1), the Company has early applied the amendments to IAS 16 "Property, Plant and Equipment:(Returns before intended Use)". This amendment was issued in May 2020, and as a result, the Company made a retrospective restatement. restatement to some related items, in the statement of financial position as at December 31, 2020. Some related items are also restated in the statement of profit or loss and other comprehensive income for the year ended December 31, 2021 and the statements of changes in shareholders' equity and cash flows for the year then ended shown below:

- The Company restated revenue, cost of revenue and net profit for the year in addition to the retained earnings and related items in the financial statements as at December 31, 2020 as a result of early application of the amendments to IAS 16 "Property, Plant and Equipment (Returns before intended use).

Statement of financial position

	As of December 31, 2020		
	Before Restatement	Restatement	After Restatement
Capital works in progress	4,136,431,565	42,271,800	4,178,703,365
Retained earnings	554,701,276	42,271,800	596,973,076

Statement of profit or loss and other comprehensive income

	For the year ended on December 31, 2020		
	Before Restatement	Restatement	After Restatement
Revenue	879,898,955	76,101,052	956,000,007
Cost of revenue	(482,123,227)	(33,829,252)	(515,952,479)
Net income for the year	363,276,252	42,271,800	405,548,052

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32. RESTATEMENT OF FIGURES FOR COMPARATIVE PERIODS (continued):

Statements of changes in shareholders' equity

	For the year ended on December 31, 2020		
	Before Restatement	Restatement	After Restatement
Retained earnings	<u>554,701,276</u>	<u>42,271,800</u>	<u>596,973,076</u>

Statements of cash flows

	For the year ended on December 31, 2020		
	Before Restatement	Restatement	After Restatement
Cash flows from operating activities	<u>666,819,459</u>	<u>42,271,800</u>	<u>709,091,259</u>

Also, certain balances and amounts of the prior year have been reclassified to conform to the presentation of the current year.

33. COMPARATIVE FIGURES:

Certain of the prior year amount and balances have ben reclassified to conform to the presentation in the current year.

34. MAIN EVENTS:

The outbreak of the new Corona virus (Covid-19) in early 2020 and spread worldwide, including the Kingdom of Saudi Arabia, caused the disruption of many companies and economic activities. The Company's management believes that this pandemic has no material impact on the balance sheet as of December 31, 2021. Given the current uncertainty about the future, management will continue to assess the impact based on future developments.

35. APPROVAL THE FINACIAL STATEMENTS:

These financial statements were approved by the Company's Board of Directors on February 15, 2022, Rajab 14, 1443H.