TABUK CEMENT COMPANY
A SAUDI JOINT STOCK COMPANY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

TABUK CEMENT COMPANY
A Saudi Joint Stock Company

INDEX OF FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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INDEPENDENT AUDITOR'S REPORT

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

Tabuk- Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of Tabuk Cement Company – a Saudi Joint Stock Company (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of profit and loss and other comprehensive income, statement of changes in shareholders' equity, and statement of cash flows for the year ended, and other explanatory notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance, and its cash flows for the year ended in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements approved by the Saudi Organization of Certified Public Accountants (SOCPA).

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended December 31, 2019. 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. The key audit matters include the following:

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Key audit matters (continued)

Existence of the clinker inventory in progress	
Key audit matter	**How the matter was addressed during our audit**
As at December 31, 2019 the balance of the inventory amounted to Saudi Riyal 299,661,317 (December 31, 2018: Saudi Riyal 283,088,827). The balance includes a stock of clinker in progress amounting to SR 193,494,410. The Company appoints an independent expert to assist in the count of actual quantity of clinker inventory as at the reporting date. This procedure is followed each year by management. We considered this is a key audit matter due to the material amount of clinker inventory, and related estimation and the used methods of measuring the quantity of clinker inventories at the end of the year.	Our performed procedures are as follows: - Attend the actual inventory count carried out by the Company and the independent surveyor. - Evaluate the competence, capabilities and objectivity of the expert engaged by management for the matter in which his work will be used. - Discuss the results of the expert's report with Management and the expert, understand the methods and the basis that were used to arrive at the results of the inventory report for the clinker inventory, with a comparison and analysis of the changes from the previous year. - Review the adequacy of Company's disclosure included in the accompanying financial statements.
For more details, refer to the Notes (3-9) , (10)	

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Key audit matters (continued)

Valuation of inventory	
Key audit matter	**How the matter was addressed during our audit**
As at December 31, 2019 the balance of the inventory amounted to Saudi Riyal 299,661,317. The balance includes the following: - Clinker inventory in progress amounted to Saudi Riyal 193,494,410 (December 31, 2018: Saudi Riyal 180,510,218) - The inventory of spare parts amounted to Saudi Riyal 86,997,852 (December 31, 2018: Saudi Riyal 81,787,947) Inventory is measured at the cost or net realisable value, which is lower. The cost of the inventory may not be recovered if that inventory is damaged, becomes fully or partially obsolete, or if the price of its sale falls. The cost of the inventory may also not be recovered if the estimated completion or estimated costs to be incurred for the recognition of the sale had been increased. The Company's management has prepared a technical study of the condition of the spare parts inventory to determine what is unusable, unsaleable, or unrecoverable. We considered this a key audit matter due to the material amount of clinker and the spare parts inventory, and related estimation and key judgments used by management in studying technical condition and related measurement of the net realisable value.	Our performed procedures are as follows: - Attend the actual inventory count carried out by the Company. - Assess the adequacy of the scope of the technical study to be used in the evaluation of inventory. - Assess the appropriateness and reasonableness of the results of the technical study findings and their consistency with other audit evidence. - Review the adequacy of the Company's disclosures relating to inventory in the accompanying financial statements.
For more details, refer to the Notes (3-9), (4b), (10)	

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Key audit matters (continued)

Loan covenants in relation to the Company's obligation to certain financial ratios in the agreement	
Key audit matter	**How the matter was addressed during our audit**
As at December 31, 2019, the Loan balance amounted to Saudi Riyal 404,626,881 (2018: Saudi Riyal 486,766,815). We considered this a key audit matter due to the risks of fulfilment financial ratios as defined by the loan agreement between the Company and the lenders.	Our performed procedures are as follows: - Obtained the loan confirmation at the financial position date and reconciled it with the Company's records. - Obtained the Company's study in respect of its obligation to loan covenants in accordance with the agreement in this regard. - Reviewed the Company's loan covenants study to ensure that they are fulfilled.
For more details, refer to the Notes (3-16), (13)	

Other information

Management is responsible for other information. The other information comprises information included in the annual report, but does not include the financial statements and auditor's report thereon. Our opinion on the financial statements does not cover other information and we do not had express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements, in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the kingdom of Saudi Arabia, and other standards and pronouncements approved by the Saudi Organization of Certified Public Accountants (SOCPA), requirements of Saudi Companies' law, and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intend to liquidate the Company or to cease operations, or has no realistic alternative not to do so.

Those Charged with Governance, in particular the Audit Committee, are responsible for overseeing the Company's financial reporting process.

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Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

For Dr. Mohamed Al-Amri & Co.,

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

Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Date: Rajab 06, 1441H
Corresponding to: March 01, 2020 G

TABUK CEMENT COMPANY
A Saudi Joint Stock Company

STATEMENT of FINANCIAL POSITION
(In Saudi Riyals)

	Note	As at December 31, 2019	2018
Assets			
Non-current assets			
Property, plant and equipment	5	**1,127,243,138**	1,205,617,639
Investment properties	6	**79,881,137**	79,881,137
Investments in equity instruments at fair value through other comprehensive income	7	**270,958,000**	270,958,000
Intangible assets	8	**4,205,434**	1,925,241
Right of use asset	9	**5,256,830**	-
		1,487,544,539	1,558,382,017
Current assets			
Inventories	10	**299,661,317**	283,088,827
Trade receivables and other debit balances	11	**12,612,553**	10,743,024
Cash and cash equivalents	12	**14,104,701**	22,005,793
		326,378,571	315,837,644
Total assets		**1,813,923,110**	1,874,219,661
Equity and Liabilities			
Equity			
Share capital, paid	1	**900,000,000**	900,000,000
Statutory reserve		**222,588,069**	222,588,069
Reserve gains for changes in fair value from investments in equity instruments at fair value	7	**101,609,250**	101,609,250
Accumulated losses		**(36,703,046)**	(62,799,476)
		1,187,494,273	1,161,397,843
Non-current liabilities			
Long-term loans	13	**309,420,556**	408,205,278
Liability for employee's end-of-service benefits	14	**16,852,045**	23,487,000
Non-current portion of a lease liability	9	**3,604,412**	**-**
		329,877,013	431,692,278
Current liabilities			
Current portion of a lease liability	9	**1,645,854**	**-**
Current portion of long-term loans	13	**95,206,325**	78,561,537
Trade payables and other credit balances	15	**71,044,170**	67,233,948
Accrued dividends to shareholders		**124,636,545**	124,810,175
Provision for zakat	16	**4,018,930**	10,523,880
		296,551,824	281,129,540
Total liabilities		**626,428,837**	712,821,818
Total equity and liabilities		**1,813,923,110**	1,874,219,661

The accompanying notes from (1) to (28) form an integral part of these financial statements.

Finance Manager	Chief Executive Officer	Board Member (commissioner)
Ashraf Soubhy Sliem	Ali bin Mohamed Al Qahtani	Tarik Bin Khalid Al-Anqari

TABUK CEMENT COMPANY
A Saudi Joint Stock Company

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(In Saudi Riyals)

	Notes	For the year ended December 31, 2019	2018
Net sales	17	**238,663,555**	149,444,903
Cost of sales		**(184,084,981)**	(173,037,194)
Gross (loss) / profit		**54,578,574**	(23,592,291)
Selling and marketing expenses	18	**(8,526,180)**	(3,353,166)
General and administrative expenses	19	**(18,711,045)**	(17,954,578)
Operating profit / (loss)		**27,341,349**	(44,900,035)
Impairment losses on intangible assets	8	**-**	(7,400,000)
Impairment losses on plant and equipment	5	**-**	(4,496,548)
Reversal / (impairment losses) of inventory	10	**9,647,520**	(11,439,888)
Other income	21	**6,237,905**	1,044,849
Other expenses	20	**(320,783)**	(5,231,751)
Dividends of investments in equity instruments at fair value through other comprehensive income	7	**5,080,463**	-
Finance cost		**(24,780,605)**	(24,001,444)
Deposits income		**317,901**	526,457
Net profit / (loss) before zakat		**23,523,750**	(95,898,360)
Reversal Zakat Provision	16	**4,684,980**	-
Zakat expense	16	**(4,018,930)**	(3,042,781)
Net profit / (loss) for the year		**24,189,800**	(98,941,141)
Items of other comprehensives income			
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gain on re-measurement of end of service benefits		**1,906,630**	7,653,000
Total other comprehensive income		**26,096,430**	(91,288,141)
Basic and diluted profit / (loss) per share	22	**0.27**	(1.10)

The accompanying notes from (1) to (28) form an integral part of these financial statements.

Finance Manager	Chief Executive Officer	Board Member Commissioner)

TABUK CEMENT COMPANY
A Saudi Joint Stock Company

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(In Saudi Riyals)

	Share capital	Statutory reserve	Reserve gains for changes in fair value of investments in equity instruments at fair value	Accumulated losses	Total shareholders' equity
For the year ended December 31, 2019					
Balance as at January 1, 2019	**900,000,000**	**222,588,069**	**101,609,250**	**(62,799,476)**	**1,161,397,843**
Total comprehensive income					
Net profit for the year	-	-	-	**24,189,800**	**24,189,800**
Items of other comprehensive income	-	-	-	**1,906,630**	**1,906,630**
Total comprehensive income	**-**	**-**	**-**	**26,096,430**	**26,096,430**
Balance as at December 31, 2019	**900,000,000**	**222,588,069**	**101,609,250**	**(36,703,046)**	**1,187,494,273**
For the year ended December 31, 2018					
Balance as at January 1, 2018	900,000,000	222,588,069	-	28,488,665	1,151,076,734
Impact of adopting IFRS (9) (Note 7)	-	-	-	101,609,250	101,609,250
Reclassification (Note 29)	-	-	101,609,250	(101,609,250)	-
Balance as at January 1, 2018 after adjustment and reclassification	900,000,000	222,588,069	101,609,250	28,488,665	1,252,685,984
Total comprehensive income					
Net loss for the year	-	-	-	(98,941,141)	(98,941,141)
Items of other comprehensive income	-	-	-	7,653,000	7,653,000
Total comprehensive income	-	-	-	(91,288,141)	(91,288,141)
Balance as at December 31, 2018	900,000,000	222,588,069	101,609,250	(62,799,476)	1,161,397,843

The accompanying notes from (1) to (28) form an integral part of these financial statements.

Finance Manager

Chief Executive Officer

Board Member (commissioner)

TABUK CEMENT COMPANY
A Saudi Joint Stock Company

STATEMENT OF CASH FLOWS
(In Saudi Riyals)

	For the year ended December 31,	
	2019	**2018**
Operating activities		
Net profit / (loss) for the year before zakat	**23,523,750**	(95,898,360)
Adjustments:		
Depreciation of property, plant and equipment	**89,665,914**	105,995,512
(Reserve) / impairment losses of inventories	**(9,647,520)**	11,439,888
Provisions no longer required	**-**	(1,019,023)
Impairment of intangible assets	**-**	7,400,000
Impairment of plant and equipment	**-**	4,496,548
Impairment of other debit balances	**320,783**	263,587
Finance cost	**24,780,605**	24,001,444
Loss / (profit) sale of plant and equipment	**(650,316)**	4,968,164
(profit) from foreign currency exchange	**(3,869,003)**	-
Liability for employees' end of service benefits	**2,584,042**	3,126,000
	126,708,255	64,773,760
Changes in operating assets and liabilities		
Trade receivables and other debit balances	**(2,190,312)**	6,654,046
Inventories	**(5,132,602)**	(46,087,545)
Used provision for inventory	**(1,792,368)**	-
Trade payables and other credit balances	**6,698,857**	(1,871,181)
Cash from operating	**124,291,830**	23,469,080
Zakat paid	**(5,838,900)**	(2,754,851)
Liability for employees' end of service benefits paid	**(7,312,367)**	(995,000)
Net cash flows generated from operating activities	**111,140,563**	19,719,229
Investing activities		
Payments for acquisition of plant and equipment	**(11,315,517)**	(1,542,285)
Payments for acquisition of intangible assets	**(2,280,193)**	(209,587)
Proceeds from disposal of plant and equipment	**674,423**	5,618,469
Net cash flows (used in) / from investing activities	**(12,921,287)**	3,866,597
Financing activities		
Repayments of loans	**(82,139,934)**	(7,519,714)
Finance cost paid	**(23,806,804)**	(22,645,081)
Dividends paid	**(173,630)**	(483,953)
Net cash flows (used in) financing activities	**(106,120,368)**	(30,648,748)
Net change in cash and cash equivalents	**(7,901,092)**	(7,062,922)
Cash and cash equivalents at the beginning of the year	**22,005,793**	29,068,715
Cash and cash equivalents at the end of the year	**14,104,701**	22,005,793

The accompanying notes from (1) to (28) form an integral part of these financial statements.

Finance Manager

Chief Executive Officer

Board Member (commissioner)

1. GENERAL

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

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

The company's main activity is to manufacture Ordinary Portland cement, Sulphate resisting cement, and it's by- products and trade in it, carry out all activities related to such objective or complementary work for this purpose, import and export of cement and its products, acquiring of real estates and scientific laboratories to improve the products as per industrial licence No. 227/S amended by licence no. (6309/S) dated Sha'ban 26,1432H (corresponding to July 27, 2011).

The Company operates its activities through its factory located in Daba city.

The fiscal year for the Company starts on January 1st and ends December 31st of each calendar year.

2. BASIS OF ACCOUNTING

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

Wherever the "International Financial Reporting Standards" that appears in these notes, they refer to "the International Financial Reporting Standard IFRSs as endorsed in the Kingdom of Saudi Arabia and the other standards and pronouncement endorsed by SOCPA". The adopted International standards are the International Standards issued by the International Board. In addition to the requirements and disclosures added by SOCPA to some of these standards as per the IFRS adoption document issued by SOCPA. Other standards and pronouncement refers to the standards and technical opinions approved by SOCPA regarding issues not covered by IFRSs such as Zakat.

2.2 Basis of measurement
The financial statements are prepared on a historical cost basis, except for the following significant items included in the statement of financial position:

- Investments in equity instruments are measured at fair value through other comprehensive income.

- Employees' end of service benefits is measured at the present value of future liabilities using the expected unit of credit method.

2.3 Functional and presentation currency
These financial statements are presented in Saudi Riyal (SR), which is the functional and presentation currency of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 New standards, interpretations and adjustments issued and in effective

The Company studied the impact of the application and found that there is no effect on the Company's financial statements, except the new International Financial Reporting Standard IFRS16 "Leases", which the Company applied from January 1, 2019.

The Company has lease contract classified under the right of use asset and another low value lease classified as an expense on the straight-line basis throughout the term of the lease contract.

The right of use asset is recognized on November 17, 2019, which is the date of the commencement of the lease. Therefore, there are no retroactive adjustments to the comparison numbers or opening balance of accumulated losses (Note 9).

Leases classified as a right of use asset
On the start date of the lease, the lease liability is measured at present value of the unpaid lease payments at that date. Lease payments are deducted using the implied interest rate in the lease if that rate can be easily determined. If it is not, the additional borrowing rate for the lessee is used.

Leases are recognised as a "right of use" asset and a lease liability when the tenant asset is ready to use the Company. Any costs related to the creation or design of the asset are recognised in accordance with the requirements of IAS 16, "property, plant and equipment". Each lease payment is distributed between the lease liability and the financing cost. The financing cost within profit or loss is recognised over the lease period where the fixed periodic interest rate results on the remaining balance of the liability for each period. The "right of use" asset, in the straight-line method is consumed over the useful life of the asset or the lease period, whichever is shorter.

The assets and liabilities resulting from the leases are initially measured on the basis of the present value. The lease liabilities include the net present value of the following lease payments:

• Fixed payments less any leases incentives received.
• Amounts expected to be paid by the lessee under the remaining value guarantees.
• The price of the option of purchase if the lessee is reasonably to exercise this option, and
• Payment of fines for termination of the lease if the term of the lease reflects the tenant's practice of the option
to terminate the lease.

The "right of use" asset is measured at cost which consisting of:
• The initial measure amount of the lease liability.
• Each leases payments made in or before the start date of the lease less any rent incentives received;
• Any initial direct costs incurred by the lessee;
• An estimate of the costs to be incurred by the lessee in disassembling and removing the asset in lease, and the return the location where the asset is located to the original condition or the return the asset itself to the required condition in accordance with the terms and conditions of the lease.
The "right of use" asset is re-measured at cost:
- less accumulated depreciation and any accumulated loss.
- Adjustment by any re-measurement of the lease liability (as mentioned in the following paragraph).
The Company re-measures the lease liability (and adjusts in exchange for the relevant "right of use" asset) Whenever:
- The term of the lease is changed or there is a change in the valuation of the practice of the purchase option, in such case, the lease liability is re-measured by deduction of adjusted lease payments using a modified discount rate.

- The lease is adjusted; in such case, the lease liability is re-measured by deducting the adjusted lease payments using a modified discount rate.

Variable rents that do not rely on an indication or price are not included in the measure of the lease liability and the "right of use" the assets. Lease payments are recognised as an expense in the period when the event or condition is due and included in other expenses" is in profit or loss".

Low value leases
The Company adopts the exception of recognising the low value leases. Lease payments are recorded for short-term leases (leases for 12 months or less) and low-value asset leases as an expense on the straight-line basis for the term of lease.

3.2 <u>New standards, interpretations and amendment issued but not effective</u>

Several amendments to IFRSs are issued and they are not effective yet, Management expects that there would be no significant effects when adopted.

3.3 Financial Instruments

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

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

Financial assets

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

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

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

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

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

De-recognition of financial asset

The Company derecognises the financial asset only when:

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

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

Impairment of financial assets

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

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

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

De-recognition of financial obligations

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

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

3.4 Revenue recognition

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

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

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

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

Dividends are recognised within profit or loss only when:

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

Discounts
Revenue from the sale of goods is recognized on the basis of the price specified in the contract or agreed upon with the customer after deducting the specific discounts for each customer. The accumulated experience is used to estimate and provide discounts. Revenue is recognized only to the extent that it is highly probable that a significant reversal occurs, the contractual liability of the expected discounts on the amount of payments due to customers in respect of sales made up to the end of the reporting period is recognized.

Financing component

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

3.5 Property, plant and equipment

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

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

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

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

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

	Useful lives Years
Buildings	7-33
Vehicles	4-8
Machinery and equipment	3-25
Furniture and fixtures	5-20

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

3.6 Investment properties

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

3.7 Intangible assets

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

Subsequent expenses

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

Amortization

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

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

3.8 Impairment of non-financial assets

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

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

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

3.9 Inventories

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

3.10 Cash and cash equivalents

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

3.11 Zakat

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

3.12 Liability for employees’ end-of-service benefits

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

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

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

3.13 Provisions

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

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

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

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

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

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

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

3.19 Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, in the prevailing market conditions (such as the current price), whether the price is directly observable or estimated using another valuation technique. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal market or most advantageous market should be accessible by the Company.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities are required to be measured at fair value or disclosed its fair value in the financial statements. Assets and liabilities are classified in the fair value hierarchy below based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

A) Estimated useful life of property, plant and equipment

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

B) Strategic spare parts

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

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

C) Impairment of property, plant and equipment

During the year 2019, no indications of impairment in plant and equipment, as at December 31, 2018, the carrying amount of this item amounted to SR 1,099 million, as the Company studied the impairment in the value of plant, equipment and buildings representing the first production line and the second production line of the Company. The result of the study was that there was no impairment in the value of this item because the company's production lines together constitute one cash-generating unit, which showed a recoverable value that exceeded the carrying amount as at December 31, 2018.

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

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

(All amounts in Saudi Riyals unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT

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

- Buildings were built on land leased from Ministry of Petroleum and Mineral Resources for a nominal value of 30 years, it ends on September 4, 2027.
- As at December 31, 2017, the amount of impairment in the value of plants and equipment is SR 3,775,401. The impairment of projects under construction is recognised and amounted to SR 4,496,548 SR during 2018.

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

- Depreciation for the year is distributed as follows**:**

	2019	2018
Charged to cost of sales	**87,369,640**	103,667,644
Charged to Selling and distribution expenses (note 18)	**273,049**	317,607
Charged to General and administrative expenses (note 19)	**2,023,225**	2,010,261
	89,665,914	105,995,512

(All amounts in Saudi Riyals unless otherwise stated)

	Buildings and constructions	Vehicles	plants and equipment	Furniture and fixtures	Projects under construction	Total
Cost:						
Balance as at January 1, 2018	**480,046,879**	**72,500,208**	**1,817,821,202**	**32,193,064**	**15,745,460**	**2,418,306,813**
Additions	**-**	**102,800**	**3,215,488**	**83,902**	**456,683**	**3,858,873**
Disposals / transferring	**-**	**-**	**(18,686,843)**	**-**	**(11,099,446)**	**(29,786,289)**
Balance as at December 31, 2018 before restatement	**480,046,879**	**72,603,008**	**1,802,349,847**	**32,276,966**	**5,102,697**	**2,392,379,397**
Restatement	**1,400,000**	**-**	**-**	**-**	**-**	**1,400,000**
Balance as at December 31, 2018 after restatement	**481,446,879**	**72,603,008**	**1,802,349,847**	**32,276,966**	**5,102,697**	**2,393,779,397**
Accumulated depreciation:						
Balance as at January 1, 2018	**209,656,761**	**70,767,568**	**779,305,382**	**25,216,677**	**-**	**1,084,946,388**
Depreciation	**16,843,203**	**731,080**	**86,653,876**	**1,767,353**	**-**	**105,995,512**
Accumulated depreciation of disposals	**-**	**-**	**(11,402,091)**	**-**	**-**	**(11,402,091)**
Balance a at December 31, 2018 before adjustment	**226,499,964**	**71,498,648**	**854,557,167**	**26,984,030**	**-**	**1,179,539,809**
Restatement	**350,000**	**-**	**-**	**-**	**-**	**350,000**
Balance a at December 31, 2018 after adjustment	**226,849,964**	**71,498,648**	**854,557,167**	**26,984,030**	**-**	**1,179,889,809**
Impairment at January 1, 2018	**-**	**-**	**(3,775,401)**	**-**	**-**	**(3,775,401)**
Impairment	**-**	**-**	**-**	**-**	**(4,496,548)**	**(4,496,548)**
Impairment as at December 31, 2018	**-**	**-**	**(3,775,401)**	**-**	**(4,496,548)**	**(8,271,949)**
Carrying amount, Net	**254,596,915**	**1,104,360**	**944,017,279**	**5,292,936**	**606,149**	**1,205,617,639**

(All amounts in Saudi Riyals unless otherwise stated)

6. INVESTMENTS PROPERTIES

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

	As at December 31,	
	2019	**2018**
Lands	**79,881,137**	79,881,137

The fair value of investment properties amounted to SR 122,517,000 as at December 31, 2019 (December 31, 2019: SR 122,157,834). The evaluation was conducted by a qualified and independent expert for the year 2018 and 2019, Nojoum Al-Salam group company certified by the Saudi Authority for Accredited Valuers with membership number 1210000148 and 1210000676.

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

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

The company has adopted the IFRS (9) “Financial instruments" effective from January 1, 2018 This resulted in gains of SR 101,609,250, The company's management chose to adjust the effect of the adoption using the Retroactive effect method in which the effect is taken to the opening balance of retained earnings.

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

8. INTANGIBLE ASSETS

	As at December 31,	
	2019	**2018**
Balance at the beginning of the year	**1,925,241**	9,115,654
Additions during the year	**2,280,193**	209,587
Impairment of intangible assets	**-**	(7,400,000)
	4,205,434	1,925,241

9. RIGHT OF USE ASSET

Amounts in the statement of financial position:

	As at December 31,	
Right of use asset	**2019**	**2018**
Vehicles lease	**5,256,830**	-
Lease liability		
Non-current portion	**3,604,412**	-
Current portion	**1,645,854**	-
	5,250,266	-

Vehicles lease started on November 17, 2019 and no leases under the IFRS 16 "leases" were prior to that date.

1. Amounts in the profit and loss

Amortization of right of use asset	**2019**	**2018**
Vehicles	**228,558**	-

(All amounts in Saudi Riyals unless otherwise stated)

10. INVENTORIES

	As at December 31, 2019	2018
Work in progress	**193,494,410**	180,510,218
Spare parts	**86,997,852**	81,787,947
Raw materials	**8,734,083**	11,611,690
Finished goods	**6,616,868**	6,815,269
Goods in transit	**2,348,585**	11,439,888
Packing materials	**1,469,519**	2,363,703
Less: provision for obsolete and slow moving items	**-**	(11,439,888)
	299,661,317	283,088,827

The movement of impairment in inventory value is as following:

	As at December 31, 2019	2018
Balance at the beginning of the year	**(11,439,888)**	-
Reverse impairment loss	**9,647,520**	-
Addition	**-**	(11,439,888)
Used*	**1,792,368**	-
Balance at the end of the year	**-**	(11,439,888)

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

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

11. TRADE RECEIVABLES AND OTHER DEBIT BALANCES

	As at December 31, 2019	2018
Trade receivables	**8,210,899**	7,322,462
Prepaid expenses	**1,582,666**	116,847
Advances to suppliers	**838,087**	1,184,842
Retentions with others	**1,405,370**	1,089,871
Accrued revenue	**-**	23,683
Others	**896,314**	1,268,906
Less: Impairment in trade and other receivables	**(320,783)**	(263,587)
	12,612,553	10,743,024

(All amounts in Saudi Riyals unless otherwise stated)

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

	As at December 31,	
	2019	**2018**
Balance at the beginning of the year	**(263,587)**	-
Addition	**(320,783)**	(263,587)
Used*	**263,587**	-
Balance at the end of the year	**(320,783)**	(263,587)

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

- The average credit period on sale of goods is 30 days, and no provision for credit loss has been established in accordance with the requirements of IFRS (9) where all amounts are considered recoverable, The Company performs credit-evaluation procedures before granting credit to new customers. These procedures are reviewed and updated regularly. The Company also obtains bank guarantees before granting credit. There have been no changes to these procedures since the previous year.
- The maturity of trade receivables as at December 31, 2019 and 2018 is two months.

12. CASH AND CASH EQUIVALENTS

	As at December 31,	
	2019	**2018**
Cash at bank	**14,104,701**	8,005,793
Islamic Murabaha deposits	**-**	14,000,000
	14,104,701	22,005,793

13. LOANS

	As at December 31,	
	2019	**2018**
Bank Al-Bilad loan (note 13.1)	**404,626,881**	476,031,625
Bank Al-Bilad loan (note 13.2)	**-**	10,735,190
	404,626,881	486,766,815
Less: Current portion	**(95,206,325)**	(78,561,537)
	309,420,556	408,205,278

The movement of loans is as following:

	As at December 31,	
	2019	**2018**
Balance at the beginning of the year	**486,766,815**	494,286,529
Paid	**(82,139,934)**	(7,519,714)
Balance at the end of the year	**404,626,881**	486,766,815

(All amounts in Saudi Riyals unless otherwise stated)

13.1 The loan is subject to interest rate of SAIBOR plus margin of 2.5% per annum. The loan is repayable in quarterly instalment ranging from SR 21.4 million to SR 24.1 million, and the repayment of the first instalment begins in June 2019 and the repayment of the last instalment is due on January 2024. The loan is secured by an investment in equity instruments through other comprehensive income (note 7) with a carrying value as at December 31, 2019 of SR 270,958,000 (2018: SR 270,958,000).

13.2 The loan is subject to interest rate of SIBOR plus 2.5% per annum. The loan is repayable in semi-annually instalment of SR 3,4 million to SR 3,7 million. The last repayment instalment is due on April 2020. The remaining Instalments due were paid early during the year.

Loans include certain covenants. Management monitors the covenants on a regularly and in the event of breach expected to occur in the future, the management takes the necessary procedures to ensure compliance.

14. LIABILITIES FOR EMOLOYEE'S END OF SERVICE BENIFITS

	As at December 31,	
	2019	**2018**
Balance at the beginning of the year	**23,487,000**	29,009,000
service cost	**1,648,316**	1,852,000
Interest cost	**935,726**	1,274,000
Paid	**(7,312,367)**	(995,000)
Actuarial gain from re-measurement of end of service benefits	**(1,906,630)**	(7,653,000)
	16,852,045	23,487,000
The significant actuarial assumptions are as follows:		
Discount rate	**3.2%**	4.5%
Salary growth rate	**2%**	3%

15. TRADE PAYABLES AND OTHER CREDIT BALANCES

	As at December 31,	
	2019	**2018**
Trade payables	**13,894,714**	13,224,050
Retention performance guarantees -second production line	**33,398,044**	39,377,985
Fees for utilization of accrued services	**6,377,959**	5,975,271
Employee accruals	**4,652,925**	3,832,774
Advances from customers	**8,839,467**	2,328,339
accrued Board's members remuneration (Note 24)	**1,400,000**	-
Accrued finance costs	**973,801**	1,356,363
Others	**1,507,260**	1,139,166
	71,044,170	67,233,948

(All amounts in Saudi Riyals unless otherwise stated)

16. PROVISION FOR ZAKAT

The main elements of Zakat base are as follows:

	As at December 31,	
	2019	**2018**
Total items subject to zakat	**1,795,744,586**	1,760,831,202
Total deductions from the zakat base	**(1,634,987,375)**	(1,639,119,964)
Zakat base	**160,757,211**	121,711,238
Net adjusted income (loss)	**22,550,572**	(75,700,721)
Zakat charge at 2.5%	**4,018,930**	3,042,781

Zakat calculated based on the higher of the zakat base or net adjusted income in accordance with the regulations of the General Authority of Zakat and Tax in Saudi Arabia, Zakat has been calculated for the current year on zakat base.

	As at December 31,	
	2019	**2018**
Balance at the beginning of the year	**10,523,880**	10,235,950
Addition	**4,018,930**	3,042,781
Paid	**(5,838,900)**	(2,754,851)
Reversal of zakat provision	**(4,684,980)**	-
Balance at the end of the year	**4,018,930**	10,523,880

- The Company submitted its zakat returns for all years up to 2018 and paid zakat liability under it.

- The Company has ended its zakat status with General Authority of Zakat and Tax until 2012, and during the year 2019, the final assessment for the two years 2016, and 2018 is obtained, resulting in a Zakat difference amounted to SR 2,806,118 which is paid in full from the Zakat provision. The final assessment for the years 2013, 2014, 2015 and 2017 are not yet completed.

- The Company's management re-examined the Zakat balance as at December 31, 2019, and this resulted in a reserve provision amounted to SR 4,684,980 due to the lack of need of the final assessment results obtained during the year 2019 and described above.

17. SALES

The Company's sales volume of cement until December 31, 2019 amounted to 1,423,376 tons (December 31, 2018 amounted to 1,172,276 tons all of them are local sales within the Saudi Arabia).

(All amounts in Saudi Riyals unless otherwise stated)

18. SELLING AND MARKETING EXPENSES

	For the year ended December 31,	
	2019	**2018**
Expenses for logistics services for Clinker export	**5,733,464**	-
Salaries, wages and employee's benefits	**2,333,385**	2,690,670
Depreciation	**273,049**	317,607
Others	**186,282**	344,889
	8,526,180	3,353,166

19. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended December 31,	
	2019	**2018**
Salaries, wages and employee's benefits	**8,352,906**	8,019,656
Depreciation	**2,023,225**	2,010,261
Professional and consulting fees	**1,708,367**	1,915,879
Board of directors remuneration – related party (Note 24)	**1,400,000**	1,400,000
Subscriptions	**951,062**	25,429
Allowances for attending board of directors meetings and committees – related party (Note24)	**859,176**	523,000
Donations	**583,360**	980,000
Postage and telephone	**497,147**	514,473
Cleaning expenses	**164,103**	608,571
Repair and maintenance	**74,736**	37,486
Tickets and accommodation of board members - related party (Note24)	**107,714**	156,742
Rent expenses	**58,622**	60,000
Others	**1,930,627**	1,703,081
	18,711,045	17,954,578

20. OTHER EXPENSES

	For the year ended December 31,	
	2019	**2018**
Impairment of other receivable (Note 11)	**320,783**	263,587
Loss on disposal of property, plant and equipment	**-**	4,968,164
	320,783	5,231,751

(All amounts in Saudi Riyals unless otherwise stated)

21. OTHER INCOME

	For the year ended December 31,	
	2019	**2018**
Foreign exchange gains	**3,869,003**	-
Gain on sale of scrap	**1,694,479**	-
Gain on sale of plants and equipment	**674,423**	-
Others	**-**	25,826
Provision no longer required – DUHBA PRECAST Co.,*	**-**	1,019,023
	6,237,905	1,044,849

* During 2018, the Company entered into a settlement with the foreign partner to settle a project to establish a DUHBA PRECAST Co., which incurred SR 5,618,469 as its share in the closing of the project. In the context of this settlement, the Company used the provision of this project amounting to SR 6,500,5000, which resulted in a provision no longer required amounted to SR 1,019,023.

22. EARNINGS PER SHARE

	For the year ended December 31,	
	2019	**2018**
Net profit / (loss) for the year	**24,189,800**	(98,941,141)
Weighted average number of shares	**90,000,000**	90,000,000
Basic and diluted profit / (loss) per share	**0.27**	(1.10)

23. SEGMENT INFORMATION

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

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

	For the year ended at December 31, 2019		For the year ended at December 31, 2018	
Geographical area	Cement sales	Percentage	Cement sales	Percentage
Kingdom of Saudi Arabia	**210,014,754**	**88%**	149,444,903	100%
Yemen	**28,648,801**	**12%**	-	-
Total	**238,663,555**	**100%**	149,444,903	100%

(All amounts in Saudi Riyals unless otherwise stated)

24. TRANSACTIONS WITH RELATED PARTIES

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

Related parties	Note	Nature of the transaction	For the year ended at December 31, 2019	2018
Members of Board of the directors and Board Committees	19	allowances	**859,176**	523,000
Members of Board of the directors	19	Air tickets	**107,714**	156,742
Members of Board of the directors	19	Bonus	**1,400,000**	1,400,000

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

25.1 Fair value

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

Balance at December 31, 2019	Level 1	Level 2	Level 3	Total
Investments in equity instruments at fair value through other comprehensive income	-	-	270,958,000	270,958,000
Balance at December 31, 2018				
Investments in equity instruments at fair value through other comprehensive income	-	-	270,958,000	270,958,000

- Investment represents the contribution in industrialization and energy Services Company ("TAQA") (A Saudi Closed Joint Stock Company).

(All amounts in Saudi Riyals unless otherwise stated)

25.2 Liquidity risk

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

	Book Value	On demand less than one year	From 1 year to 5 years	Total
As at December 31, 2019				
Loans	**404,626,881**	**95,206,325**	**309,420,556**	**404,626,881**
Future commissions on loans	**-**	**18,212,469**	**26,501,663**	**44,714,132**
Lease liability	**5,250,266**	**1,645,854**	**3,604,412**	**5,250,266**
Trade payables and other credit balances	**71,044,170**	**71,044,170**	**-**	**71,044,170**
	480,921,317	**186,108,818**	**339,526,631**	**525,635,449**
As at December 31, 2018				
Loans	486,766,815	78,561,537	408,205,278	486,766,815
Future commissions on loan	-	24,648,863	44,714,132	69,362,995
Trade payables and other credit balances	67,233,948	67,233,948	-	67,233,948
	554,000,763	170,444,348	452,919,410	623,363,758

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

25.3 Commission rate risk

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

(All amounts in Saudi Riyals unless otherwise stated)

25.4 Foreign currency risk

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

As at December 31, 2019	**USD**	**EUR**	**AED**
Retention performance guarantees -second production line	**6,749,062**	**1,350,000**	-
Trade payables	**657,375**	**18,570**	-
	7,406,437	**1,368,570**	-
As at December 31, 2018			
Retention performance guarantees -second production line	6,749,062	1,350,000	-
Trade payables	710,570	27,660	1,400
	7,459,632	1,377,660	1,400

The following is an analysis of the sensitivity of foreign currency risks by 1% for the US dollar and the UAE dirham for the years 2019 and 2018 and 22% and 16% for the euro currency for the years 2019 and 2018 respectively, up or down which could affect the measurement of financial instruments.

	As at December 31	
	2019	**2018**
US Dollar	**277,741**	279,736
Euro	**1,199,861**	960,037
UAE dirham	**-**	14

25.5 Credit risk

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

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

	As at December 31,	
	2019	**2018**
Cash and cash equivalents	**14,104,701**	22,005,793
Trade receivables	**8,210,899**	7,322,462
	22,315,600	29,328,255

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

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

(All amounts in Saudi Riyals unless otherwise stated)

26. SUBSEQUENT EVENTS

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

27. COMPARATIVE FIGURES

Certain comparative year figures were reclassified to conform to the current year classification. Below are the accounts that are affected by reclassification:

	December 31, 2018 before reclassification	**reclassification**	**December 31, 2018 After reclassification**
Reserve gains for changes in fair value from investments in equity instruments at fair value		101,609,250	101,609,250
Retained earnings / (accumulated losses)	38,809,774	(101,609,250)	(62,799,476)
Property, plant and equipment – construction and building (road)	1,204,567,639	1,050,000	1,205,617,639
Trade receivables and other debit balances – prepayment expenses	1,166,847	(1,050,000)	116,847
	1,244,544,260	-	1,244,544,260

28. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on February 26, 2020 (corresponding to Rajab2 , 1441H).

شركة اسمنت تبوك
Tabuk Cement Company

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