



رؤية
VISION
2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA





In the name of God,
the Most Gracious, the Most Merciful



Custodian of the Two Holy Mosques
King Salman Bin Abdulaziz Al-Saud
(may Allah protect him)
Prime Minister



His Royal Highness, Prince
Muhammad Bin Salman Bin Abdulaziz Al-Saud
(may Allah protect him)
The Crown Prince, Deputy Prime Minister
and Minister of Defense

Table of Contents

First: About Tabuk Cement Company	17	Sixth: Capital and Equity Rights	50
Second: Sustainability & Social Responsibility	22	Seventh: Profit Distribution Policy	56
Third: Operational Performance Summary	31	Eighth: Company Governance	68
Fourth: Financial Performance Summary	37	Ninth: Conclusion	108
Fifth: The Company's Strategy and Future Predictions	46	Tenth: Financial Statements	112



INTRODUCTION

Dear shareholders of Tabuk Cement Company

Peace, mercy and blessings of Allah upon you

We are pleased to present to you the annual report of your board of directors, which is submitted to your esteemed general assembly to view, discuss and then approve. This report includes a summary of the company's activities, and the developments of its business at the operational, financial and administrative levels during the year 2021 AD. The report also includes the mechanisms for implementing governance and detailed information about the members of the Board of Directors and the committees emanating from the Board. Moreover, the report contains quick overviews of the risks facing our business, our future expectations for the fiscal year 2022 AD, as well as reviewing the company's most prominent initiatives to promote health, the environment and sustainable growth.

It should be noted that this report was prepared in accordance with the requirements of the Corporates' Governance Regulations issued by the Capital Market Authority and the Companies' Law issued by the Ministry of Commerce, taking into account the adoption of a high degree of transparency and disclosure in a way that enhances the loyalty of all stakeholders in the company and helps shareholders and investors make their investment decisions.

We begin this report with the message of the Chairman of the Board of Directors and then the word of the Chief Executive Officer (CEO), and then we begin to list the information and data of the report according to the Table of Contents



Mr. Saud Bin Soliman Al-Jehani
Chairman of the Board of Directors

Chairman of the Board of Directors' Message

On my own behalf and on behalf of the members of the Board of Directors, I am pleased to invite you to review the annual report of the Board of Directors for the results of the financial year ending on December 31, 2021 AD. The report reflects the company's achievements, within the framework of the company's tireless efforts to reach its goals and achieve its vision.

A year has passed, and a new year has come, which is full of great challenges and difficult fluctuations. Perhaps the most important of those challenges that fall upon us is to assume responsibility faithfully and manage the rudder successfully.

The success that we witness daily in achieving the goals of the Kingdom's Vision 2030, is the biggest motivation for everyone in all sectors, including the industrial sector in general and the cement industry in particular. This was evident in the private sector incentive plan, which contributed to identifying the current weaknesses as well as future risks to eliminate and avoid them, as well as strengths and future opportunities to reinforce and seize them.

In conclusion, we extend our highest thanks and appreciation to the Custodian of the Two Holy Mosques, King Salman Bin Abdulaziz "may Allah protect him", His Crown Prince, His Royal Highness Prince Muhammad Bin Salman Bin Abdulaziz, "may Allah protect him", for their generous support to the private sector. Their backing had the effect of adding flexibility and the necessary ability to the Kingdom's economy, to deal with wider options towards this crisis and other things that the world's economies faced.

I also extend my sincere thanks and appreciation for your trust in the company. Thanks are also due to colleagues in the Executive Management, and all the employees of the company for their sincere efforts. We also thank our clients and shareholders for their trust and support to us, which will always be an incentive to do more, looking forward to more successes during the year 2022 AD.



Engineer: Ali Bin Saif Al-Qahtani
Chief Executive Officer (CEO)

Chief Executive Officer's Word

I am pleased to meet you through this annual report to shed light on the company's achievements for the past year and our plans for the next stage, which would not have been possible without your continuous support and great confidence that forms the backbone of our giving and continuity.

Tabuk Cement Company has been able to achieve good operating revenues, thanks to Allah Almighty, despite the surrounding circumstances, in which it was necessary to take firm and influential decisions at the same time, by relying on the advices of the company's Board of Directors, and the efforts of the executive management and specialized teams.

In light of these changes, we have been keen to enhance the company's revenues from its fixed incomes to support its performance in the markets in which it operates. We were able, with God's help, to maintain a balanced pace in the company's operational revenues. Tabuk Cement Company is proud of its distinguished system in the field of corporate governance. In 2021, the main focus was on the governance of risk management, as we implemented an integrated framework that was developed, and was approved by the Board of Directors.

In concluding of my word, I would like to extend my sincere thanks to the Chairman and the members of the Board of Directors of Tabuk Cement Company for their unlimited support and constant trust. I also extend my sincere thanks and appreciation to the shareholders of Tabuk Cement Company and all our partners. I renew my thanks, praise and appreciation to all the company's executive teams for their dedication and tireless efforts in leading, implementing and accomplishing the company's work with creativity and pioneering, and for their continuous commitment to the mission and vision of Tabuk Cement Company, and with the strategic plans set to achieve the goals and aspirations of our shareholders and valued clients.



01

First: About Tabuk Cement Company

- Activities of the Company
- Subsidiaries
- Vision of the Company
- Objectives of the Company
- Mission of the Company



Founding and Activities

1994

Founding Date

Age of the Company

900

Millions of Saudi Riyals

Capital of the Company

90

Millions of Shares

Number of Shares

10

Saudi Riyals

Share Price

Tabuk Cement Company is a Saudi joint stock company registered in the city of Tabuk under Ministerial Resolution No. (889) dated 7 Shaban 1414 AH corresponding to January 19, 1994 AD, and also registered in the Commercial Register No. (3550012690) and dated Safar 25, 1415 AH corresponding to August 2, 1994 AD.

The authorized and paid-up capital of the company is 900 million Saudi riyals divided into 90 million shares of equal value, each valued at 10 Saudi riyals, all of which are ordinary and cash nominal shares.

The main activity of the company is the manufacture of ordinary Portland cement, resistant to sulphates, pozzolanic cement for industrial purposes, cement derivatives and its accessories, trading in those products and carrying out all related and complementary works for this purpose. Activities also include establishing factories and laboratories related to the branched and complementary industries of the cement industry from building materials and others. In addition to importing and exporting cement and related products, and owning real estate and scientific laboratories to improve products. This is pursuant to Industrial License No. (514 / S) as amended by No. (21102107153) dated 102020/1/ AD.

The Tabuk Cement Company is located near the port of Duba, at a distance of 30 km from Duba Governorate, and 225 km from the city of Tabuk.

Subsidiaries

Tabuk Cement Company conducts its activities through one operational activity represented in its factory located in Duba Governorate, and it does not have any subsidiaries at the present time.

Vision of the Company

Our aim is to lead the local and regional cement industry through being the idol of quality and efficiency, committing to be the perfect choice for our clients, employees, shareholders and investors.

Mission of the Company

We endeavor to support the local and regional market with cement products in accordance with international standards and reinforce sustainable development by encouraging construction work of buildings and developing infrastructure in the region.

Objectives of the Company

- To promote sustainable development and to revitalize the national economy.
- To meet the demands of the local and regional market of high-quality cement at competitive prices.
- Optimum investment in the natural resources available in the region.
- Maintain a dynamic work environment.
- Maintaining a level of excellence through training and continuous development of competencies, projects and services.



002

Second: Sustainability & Social Responsibility

- Environmental Protection and Occupational Safety
- Sustainability
- Social Responsibility
- Human Resources

Environmental Protection and Occupational Safety

Enhancing the levels of occupational safety and environmental protection through the following:

1. Contracting with approved companies to add early warning system devices and fire-fighting tools according to the requirements and stipulations inside the factories (fire boxes and fire extinguishers) and providing emergency exits with their complete and fire-resistant equipment.
2. Adding early warning systems and automatic extinguishing devices in transformer and main electrical panel rooms.
3. Providing an automatic sprinkler system for the entire plant and ensuring 100% coverage of all production areas.
4. Providing foam extinguishing system for chemical storage areas.

Providing occupational health avenues through the following:

1. Providing a health ambulance center with the presence of a doctor on a daily basis, which receives employees who suffer from any diseases, following up on their condition, and providing medicines in a way that gives the indication of attention to the company's employees. We also provide workshops to educate employees about the method they should follow to do it in the right way.
2. Providing first aid boxes in all departments and divisions of the company under the supervision of trained persons.
3. Putting safety policies and procedures within reach of everyone and translating them into the official languages of the company, Arabic and English.
4. Providing the necessary safety tools for each department conferring to the work needs according to the risk identification schedule.
5. Submitting and analyzing reports of injuries to work on finding appropriate solutions to prevent their recurrence.
6. Following up facilities and buildings, inspect them, make a plan to implement procedures, provide means of protection and comfort, and provide playgrounds and sports equipment to entertain employees during breaks and the residential camp.

The environment

Tabuk Cement Company continued its efforts towards protecting the environment and was keen on setting the ecosystem in mind, and as an integral part of its policy, by paying attention to the application of all the regulations in force, locally and internationally, and adopting modern technology in reducing environmental pollutants. Where the emission of dust does not exceed (10) mg / per cubic meter, which is much less compared to the limits of the General Authority of Meteorology and Environmental Protection (150 mg / cubic meter). It was keen to put in force systems and programs that would comply with and conform to the authority's limits and standards, which can monitor and save emissions readings, including the installation of optical monitoring devices to observe emissions.





Sustainability

Tabuk Cement Company has taken the best standards and practices adopted locally and internationally as a reference in the management of operations and projects in their diversity and different fields.

In addition, its ultimate goal is to develop the cement sector, and to achieve positive returns for the benefit of the shareholders and dealers with the company in a way that contributes to development. During the past year, the company has made efforts towards continuing to achieve its sustainability, and the sustainability of the surrounding environment, in order to preserve various resources for future generations, as the company has been working to achieve goals with efficiency and operational effectiveness through cost control and planning.

Sustainability has become a part of the company's culture and touches all the company's work, and has even become a major part of the decision-making mechanism for managing the company's business.

Tabuk Cement's sustainability strategy is subject to a periodic review to ensure its continued effectiveness in areas of utmost importance to the company and its stakeholders, in order to enhance the positive impact in the environmental, social and economic aspects.

The Kingdom's ambitious vision 2030 represents hope for a better future. Therefore, the company works to align its plans with the vision. The company's role is not limited to creating direct jobs or localizing technology, but extends to increasing job opportunities for Saudi youth, which is a strategic goal for the company.

Finally, Tabuk Cement Company believes that pioneering in the field of sustainability at the regional and global levels requires the optimal direction of the company's resources, by placing sustainability as a major goal in the company's top strategy.



Social Responsibility

Stemming from its keenness to achieve ethical goals, and realizing that investing in the local community will benefit everyone, Tabuk Cement Company, as a responsible national company, believes since its inception that the company's growth and development depends not only on its financial position, but also on its ability to contribute to the community. To this end, Tabuk Cement Company is keen to perform the role assigned to it towards society, by doing the following:



Human Resources

Tabuk Cement Company has realized the importance of the human element in its path, and that success is undoubtedly dependent on paying attention to this vital element, and therefore it pays most attention to it through the management of human resources. The company realizes the importance of its role in creating a healthy and successful work environment, and helps the employees towards career creativity, which enhances their ability to produce in a way that contributes to the continued development of the company, as it has been keen to meet all the basic needs of the employees. In addition, this also secure the conditions and foundations of health and safety.

Tabuk Cement Company always seeks to create a work environment that gives the employees the ability to participate with management in decision-making, and to participate in setting their goals to comply with the general objectives of the company. The company also creates the appropriate

environment for them, motivate them to do any distinguished work they do, and help them highlight their achievements as an important part of the organization.

In Tabuk Cement Company, we are also interested in employing the female component, based on our awareness of the important role that diversity plays in enriching our workforce. Since the company works in the industrial sector, it paid attention to employing women in operational positions, and the percentage of female employees in the company was about (4.42%) of the total workforce in it. In addition, the company is keen to employ Saudi nationals to support the Saudization efforts. The percentage of Saudi citizens in the company reached (53.79%), and the company has sent a number of its employees, the majority of whom are Saudis, to various training courses inside and outside the Kingdom, which had a significant impact in raising the efficiency of Saudi employees in various departments.



003

Third: Operational Performance Summary

- Products
- Clinker Production
- Achievements of the Marketing and Sales Department

Products

Ordinary Portland Cement (OPC)

This is the most common cement used in general concrete construction, buildings and foundations in general, when there is no exposure to sulphates in the soil or groundwater.

Application / Usage:

- General construction projects.
- Concrete structures.
- Reinforced concrete projects.
- Block manufacturing.
- Plastering and flooring.

Sulphate Resisting Portland Cement (SRC)

This is a type of Portland cement in which the amount of some active ingredients is lower than usual. It is best used in concrete projects if it is exposed to the risk of deterioration due to sulphate attack.

Application / Usage:

- Foundations and piles.
- Basement and underground structures.
- Chemical factories.
- Suitable for underground projects where sulphates are present in the soil and water.

The Portland Pozzolan Cement (PPC)

This is a kind of blended cement which is produced by inter grinding of OPC clinker along with gypsum and the volcanic stone material (Pozzolana), which is similar in its properties to cement materials, in certain proportions.

Application / Usage:

- Mass construction projects.
- Low-cost housing projects.
- It can be used in regions with hot weather.
- Hydraulic structures-dams and retaining walls.
- Marine structures.
- Mass concrete projects – e.g. bridge footings.
- It can be used under aggressive conditions.





Clinker Production

The clinker is the primary product in the cement industry and it is produced through the process of burning limestone ore with some corrected ores in the kiln. Then the clinker stock is used to produce cement after grinding and adding gypsum with other materials to control the type of cement produced.

During the past year 2021 AD, a quantity of 931,888 tons of ordinary Portland clinker and a quantity of 317,968 tons of clinker resistant to sulfur salts were produced, with a total of 1,249,856 tons of both types.

Quality Sign

- The company retained the quality mark granted by the Saudi Standards, Metrology and Quality Organization as a result of maintaining the highest levels of quality.
- The company has maintained the application of the quality system by obtaining the ISO 9001 certificate since the date of 042004/23/ AD as a result of its commitment to implementing the quality system.



Achievements of the Marketing and Sales Department in 2021

The most prominent achievements of the Marketing and Sales Department during the past year 2021 AD were as follows:

- Maintaining full control over the markets of the Tabuk region as the main market for the company and fulfilling the region's demands for the cement products and limiting the entry of competitors.
- Al-Ula region was penetrated during the first quarter at competitive prices. After some attempts, the 100% clients of Al-Ula were returned to Tabuk Cement Company, all areas of the Tabuk region were closed in front of the competitors who were kept out.
- Achieving quantities (94%) of the local sales plan for the year 2021 AD, and this was a great challenge in light of the impact all sectors faced due to the Corona pandemic, the inability of workers to return to the Kingdom, the reasons for the construction code and the rise in iron prices during this year.
- Achieving export sales of (43,898 tons) that year.
- Expanding the marketing scope in the surrounding areas such as Al-Medina Al-Munawarra, and entering new markets (Hail, Qassim, Red Sea) and selling the largest possible quantities and maintaining these market shares.
- The percentage of sales outside the Tabuk region to new markets amounted to 39% of the company's total sales
- Making sales hours (deliveries and weighing) 24 hours a day, six days a week.
- Achieving the biggest challenge by making the overtime working hours (zero) with the same existing staff and working for 24 hours.
- Activating text messages to send clients' balances on a daily basis, which helped clients to follow their accounts clearly, and this helped raise the collection rate from them to the highest levels.
- Periodic communication with major clients and building strategic relationships with them to maintain market stability, while reducing clients' debit balances to the lowest levels in industrial companies.
- The annual closing of the accounts, reviewing and verifying all sales orders took place on December 31, 2021 AD. As it was the day of Friday, all statements were delivered to the concerned departments on January 1, 2022 AD.
- New accounts have been opened for new clients, and the accounts of clients who were previously lost have been activated and have been returned to the Company, thanks to Allah.



04

**Fourth:
Financial Performance
Summary**

Financial Position Statement

Description	2017 SR	2018 SR	2019 SR	2020 SR	2021 SR
Current Assets					
Cash in bank	29,068,715	22,005,793	14,104,701	20,693,362	22,882,531
Short-term investment	-	-	-	20,000,000	25,200,000
Deposits (investment for more than 3 months)	-	-	-	-	-
Accounts receivable - net	7,921,054	7,322,462	8,210,899	6,234,814	7,977,607
Prepaid expenses and other assets	6,934,275	116,847	1,582,666	4,684,631	1,351,321
Other debit balances	3,855,328	3,303,715	2,818,988	3,694,444	9,889,102
Stock	248,441,170	283,088,827	299,661,317	285,063,097	292,949,241
Total current assets	296,220,542	315,837,644	326,378,571	340,370,348	360,249,802
Non-current assets:					
Long-term investments	169,348,750	-	-	-	-
Investments in equity instruments (through other comprehensive income)	-	270,958,000	270,958,000	281,288,274	283,140,949
Net value of fixed assets	1,375,046,549	1,205,617,639	1,127,243,138	1,065,784,188	1,007,993,279
Real estate investment	-	79,881,137	79,881,137	77,464,847	72,279,440
Capital work in progress	15,745,460	-	-	-	-
Intangible assets	9,115,654	1,925,241	4,205,434	5,043,683	4,762,692
Net deferred expenses	18,674,152	-	-	-	-
Right to use the asset	-	-	5,256,830	3,566,366	1,705,654
Total non-current assets	1,587,930,565	1,558,382,017	1,487,544,539	1,433,147,358	1,369,882,014
Total assets	1,884,151,107	1,874,219,661	1,813,923,110	1,773,517,706	1,730,131,816
Liabilities and shareholders' equity:					
Current liabilities:					
The rolling part of the rental obligation	-	-	1,645,854	1,881,295	1,772,419
Short-term loans / the current portion of a long-term loan	60,920,505	78,561,537	95,206,325	63,470,883	63,470,883
Payables	20,231,627	19,199,321	20,272,673	19,427,291	16,376,937
Other credit balances	54,017,139	48,034,627	50,771,497	39,870,370	26,892,160
Distributions payable to shareholders	125,294,128	124,810,175	124,636,545	121,694,374	121,079,857
Proposed dividends to be distributed to shareholders	-	-	-	-	-
Zakat provision	10,235,950	10,523,880	4,018,930	10,156,261	6,956,392
Total current liabilities	270,699,349	281,129,540	296,551,824	256,500,474	236,548,648
Non-current liabilities:					
Long term loan	433,366,024	408,205,278	309,420,556	252,000,653	210,212,689
Provision for end of severance pay	29,009,000	23,487,000	16,852,045	14,216,404	15,923,026
The non-current portion of the rental obligation	-	-	3,604,412	1,772,419	-
Total non-current liabilities	462,375,024	431,692,278	329,877,013	267,989,476	226,135,715
Shareholders' equity:					
Capital	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000
Regular reserve	222,588,069	222,588,069	222,588,069	227,745,646	229,521,378
Reserve for change in fair value differences	-	101,609,250	101,609,250	111,939,524	113,792,199
Retained profit (loss)	28,488,665	-62,799,476	-36,703,046	9,342,586	24,133,876
Total shareholders equity	1,151,076,734	1,161,397,843	1,187,494,273	1,249,027,756	1,267,447,453
Total liabilities and shareholders' equity	1,884,151,107	1,874,219,661	1,813,923,110	1,773,517,706	1,730,131,816

Statement of profit or loss and other comprehensive income

Description	2017 SR	2018 SR	2019 SR	2020 SR	2021 SR
Net sales	166,607,720	149,444,903	238,663,555	276,454,772	228,529,275
Sales cost	-157,358,988	-173,037,194	-184,084,981	-208,207,773	-179,919,725
Gross profit	9,248,732	-23,592,291	54,578,574	68,246,999	48,609,550
Selling and marketing expenses	-3,373,149	-3,353,166	-8,526,180	-2,951,585	-3,046,032
General and administrative expenses	-15,450,723	-17,954,578	-18,711,045	-20,354,578	-21,652,001
Total selling and marketing expenses	-18,823,872	-21,307,744	-27,237,225	-23,306,163	-24,698,033
Other expenses	-3,775,401	-17,128,299	-320,783	-	-
Reversal / (impairment losses) in the value of stock	-	-11,439,888	9,647,520	-	-
Other income	441,199	1,044,849	6,237,905	8,175,384	10,899,132
Dividends on investments in equity instruments at fair value through other comprehensive income	5,080,462	-	5,080,463	-	-
Net income and other expenses	1,746,260	-27,523,338	20,645,105	8,175,384	10,899,132
Net (loss) / operating profit	-7,828,880	-72,423,373	47,986,454	53,116,220	34,810,649
Deposit income	171,452	526,457	317,901	54,087	827,091
Cost of funding	-13,408,442	-24,001,444	-24,780,605	-11,274,890	-7,019,208
Effect of modifying the cash flows of a financial liability	-	-	-	17,750,601	-5,815,199
Net income for the year before zakat provision	-21,065,870	-95,898,360	23,523,750	59,646,018	22,803,333
To be deducted:					
Reverse zakat custom	-	-	4,684,980	0	-
Zakat provision	-2,696,349	-3,042,781	-4,018,930	-8,070,246	-5,046,012
Net income (loss) for the year	-23,762,219	-98,941,141	24,189,800	51,575,772	17,757,321
Items that will not be classified later in profit or loss					
(Loss) / other comprehensive income					
Actuarial gains from remeasurement of employees' end of service benefit obligation	1,874,000	7,653,000	1,906,630	-372,563	-1,190,299
Unrealized gains on remeasurement of investments in equity instruments at fair value	0	0	0	10,330,274	1,852,675
Total comprehensive income	-21,888,219	-91,288,141	26,096,430	61,533,483	18,419,697
Profit / (loss) basis and reduced from net profit / (loss) for the year	-0.26	-1.10	0.27	0.57	0.20
Basic and (loss) profit/(loss) from total comprehensive income/(loss) for the year	-0.24	-1.01	0.29	0.68	0.20

Investments

short seller	22,000,000	14,000,000	-	20,000,000	25,200,000
time deposits	-	-	-	-	-
energy	169,348,750	270,958,000	270,958,000	281,288,274	283,140,949
Total	191,348,750	284,958,000	270,958,000	301,288,274	308,340,949

Geographic Sales Distribution 2021

No.	Region	Amount(SR)	Ratio
1	Tabuk	135,091,822.00	0.59
2	Northern Border Region	25,431,336.00	0.11
3	Western Region	45,750.00	0.009
4	Central Region	3,227,666.00	0.011
5	Almadina, Alola	57,215,353.00	0.25
6	Export	7,405,439.00	0.03
	Total	228,417,366.00	1

Liability to Bank Albilad - Loan (2021)

On the date of Rajab 20, 1441H. corresponding to March 15, 2020, the company signed an agreement to reschedule the outstanding loan balance with Bank Albilad (a Sharia-compliant bank facility agreement - with a diminishing Murabaha) - where the outstanding loan balance on that date amounted to 380,825,300 riyals - subject to a profit rate (SIBOR 6 months +1.25%) instead of (SIBOR 6 months +2.50%) and the number of 24 quarterly installments - the value of the installment is 15,867,721.83 riyals. The payment of the first installment began after the signing of this agreement on June 13, 2020, and the last installment will be paid - Allah willing - on March 13, 2026. On the 6th of Rabi' al-Thani 1443H corresponding to November 11, 2021, the company concluded a hedging agreement with Bank Albilad to be implemented starting from 12022 /3/ at a fixed rate of 1% and a fixed SIBOR rate of 1.98% inclusive of the hedging price, as the price of the hedge was reduced. The loan to SIBOR is 3 months and a fixed rate of 1% instead of SIBOR + 6 months and a fixed rate of 1.25% for the remaining amount of the loan, which = 269751254 riyals in quarterly installments to be paid every three months. The first installment will be paid on 32022/4/ and the last installment will be paid on March 13, 2026.

The following is a statement showing the position of the loan until 12/31/2021.

Description ((values in riyals	loan principal	Balance at the beginning of 2021	Paid during 2021	Loan balance at the end of 2021
(Facility (loan	476,031,625.00	315,471,536.00	47,603,163.00	273,683,572.00
Total	476,031,625.00	315,471,536.00	47,603,163.00	273,683,572.00

Note 1: There may be a difference of decrease and increase with the change of the SIBOR , down and up.

Payments due (2021)

Zakat, Tax and
Customs Authority
5,046,012.00

Agency of the Ministry
of Mineral Resources
8,619,219.00

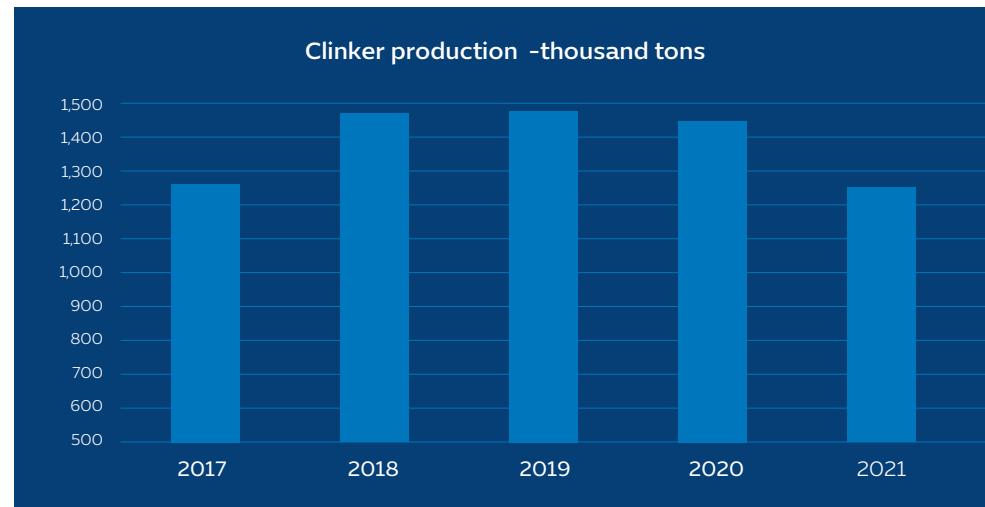
General Organization for
Social Insurance
473,531.00

Fundamental differences in operational items from last year

Income statement 2020	Fundamental differences in operational items from last year	
	Change	reasons
Net sales	(0.17)	Decreased sales quantity and value
Sales cost	(0.14)	Decreased quantities produced.
Gross profit	(0.29)	result of the above
Selling and marketing expenses	0.03	High wages and multiple visits to markets and customers
General and administrative expenses	0.06	High values of its constituent items.
Total selling and marketing expenses	0.06	As a result of the above
Other expenses		
Reversal / (Impairment losses) in the value of stock		
Other income		
Dividends on investments in equity instruments at fair value through other comprehensive income		
Net income and other expenses	0.33	Value of selling a land owned by the company in Tabuk
Net (loss) / operating profit	(0.34)	As a result of the decrease in sales and the increase in administrative and marketing expenses
Deposit income	14.29	Increased liquidity invested in deposits.
Financing cost	(0.38)	SIBOR prices decreased during the year, in addition to a decrease in loan principal
Effect of modifying the cash flows of a financial liability	(1.33)	Rescheduling the loan balance on March 15, 2020 and calculating financial liability losses against last year's profits
Net income for the year before zakat provision	(0.62)	As a result of the above
Reverse zakat provision		
Zakat provision	(0.37)	As a result of the above.
Net income (loss) for the year	(0.66)	As a result of the above.
Items that may subsequently be reclassified to profit or loss		
(loss) / other comprehensive income		
Recalculation of end-of-service benefits	2.19	Actuarial gain (loss) value - from the actuary's report
Unrealized gains on remeasurement of investments in equity instruments at fair value	(0.82)	Gain (loss) value of revaluation of investments in equity instruments at fair value
Total comprehensive income	(0.70)	As a result of the above

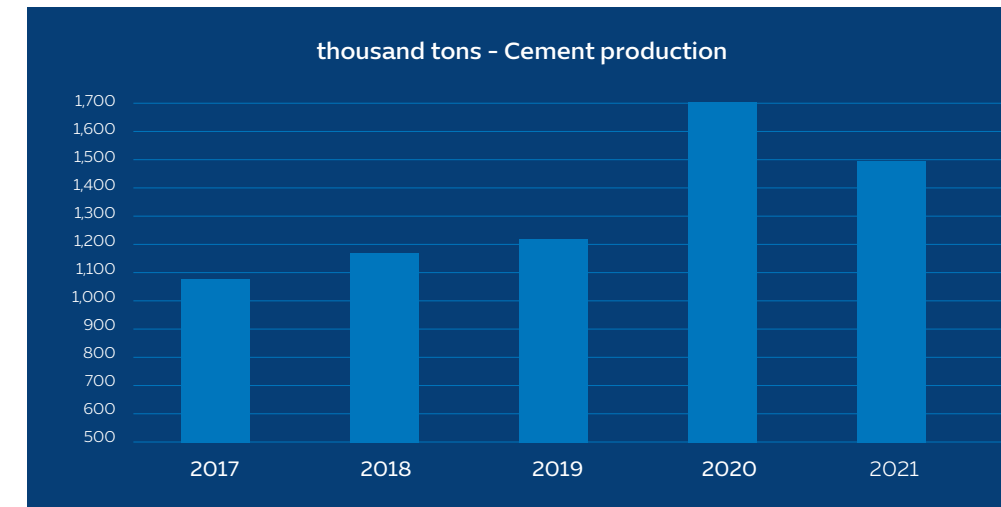
- Clinker production

The quantity of clinker produced during the year 2021 amounted to (1,249,856 tons) compared to (1,445,198 tons) in 2020, a decrease of (13.52%).



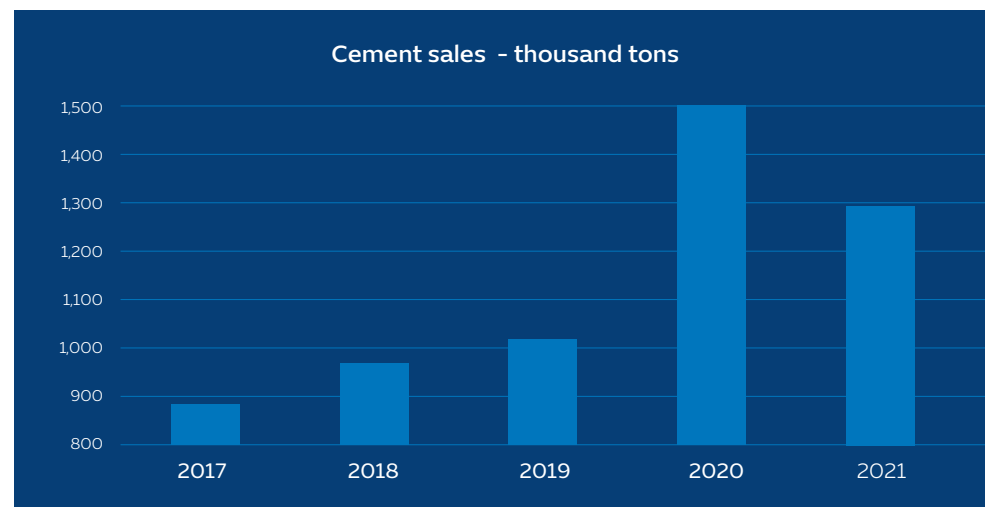
- Cement production

The quantity of cement produced during 2021 reached (1,497,930 tons) compared to (1,742,525 tons) in 2020, a increase of (14.03%).



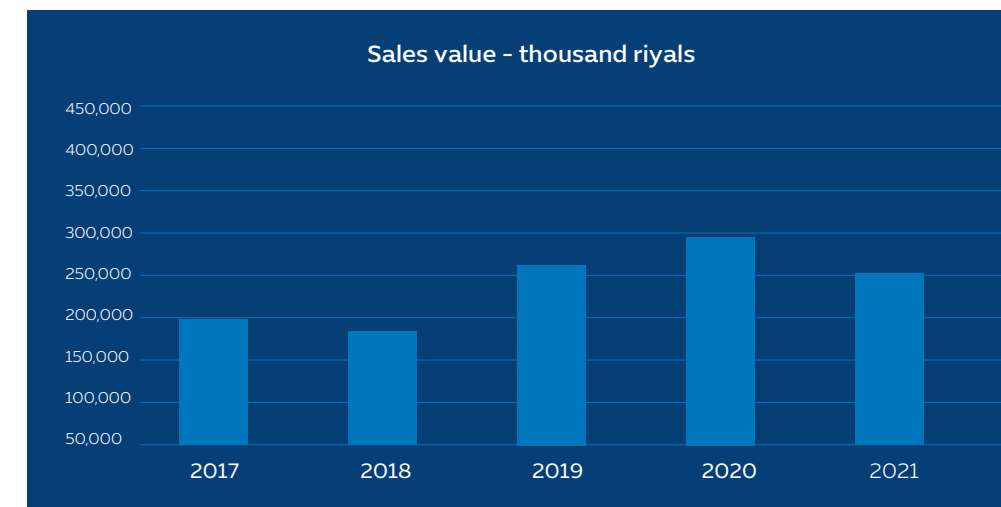
- Cement sales

The company's total cement sales amounted to 1,494,480 tons in 2021 compared to 1,734,834 tons in 2020, a increase of (13.85%).



- Sales value

The net sales value in 2021 amounted to 228,529,275 riyals) compared to (276,454,772 riyals) in 2020 , a increase of (15.83%).



Stock

The clinker stock at the end of 2021 amounted to (1,876,610 tons) compared to (1,994,858 tons) in 2020 , with a decrease of (5.92%), and the cement stock at the end of 2021 reached (63,212 tons) compared to(64,091) in 2020, with a decrease of (1.37%).



05

**Fifth:
The Company's Strategy
and Future Predictions**



- 01** Continuously developing human resources, technically and administratively, by focusing on training and developing national competencies in various fields and creating a work environment with a high level of professionalism and production capacity.
- 02** Attention to increase the rate of Saudization.
- 03** Introducing a high monitoring and control system to maintain the quality of work and product and achieve the desired growth.
- 04** Maintaining the application of the highest safety standards and promoting the preservation of the environment.
- 05** Maintaining the application of the highest safety standards and promoting the preservation of the environment.

- 06** Continuous improvement of product quality and development.
- 07** Continuous development in the information technology (IT) sector, its devices, equipment and systems.
- 08** Introducing a high monitoring and control system to maintain the quality of work and product and achieve the desired growth.
- 09** Providing facilities to clients at competitive prices.
- 10** Maximizing the utilization of assets.

In light of these and according to market changes, the company expects to increase the demand for the company's products of all kinds of cement to achieve the expected sales goals.



006

Sixth: Capital and Equity Rights

- The Capital.
- Investment Restrictions.
- Ownership of Board Members and Senior Executives of the Company's Shares.

First: The Capital

The following table shows the capital information and the number of shares as on 122021/31/ AD:

The Capital	
Items	Value
(Declared Capital (SAR	900,000,000
(Paid-up capital (SAR	900,000,000
Number of Shares	90,000,000
(Nominal value per share (SAR	10
(Paid value per share (SAR	10
The stock market in which the stock is traded	Saudi Stock Exchange ((Tadawul
Market type	The main market
Main sector	Basic materials
Company code	3090
International Code	SA0007879535

Second: Investment Restrictions

There are no restrictions on the company's shares as stated in both the rules regulating qualified foreign financial institutions' investment in listed securities and the instructions regulating foreign strategic investors' ownership of strategic stakes in listed companies. This is in accordance with the company's articles of association, and the instructions issued by the supervisory and controlling authorities, which the company is subjected to.

Third: Ownership of Board Members and Senior Executives of the Company's Shares

The Board of Directors of Tabuk Cement Company consists of normal members who represent themselves, and legal members. The following is a statement of the total shares owned by the chairman, natural members and senior executives of the company:

Members' ownership:

Member	Position	At the beginning of the year	At the end of the year	net change	percentage change
		Number of Shares	Number of Shares		
Mr. Saud Bin Soliman Al-Jehani	Director of the Board	0	0	0	0
Mr. Abdel Aziz Bin Abdel Rahman Alkhamees	Deputy of Director of the Board	0	0	0	0
Mr. Tareq Bin Khalid Alangari	Member	1001	1001	0	0
Mr. Wafi Bin Nafe Alshakhs	Member	67,899	47,899	20,000	29.45%
Mr. Abdulrahman Bin Rashed Albluwe	Member	0	0	0	0
Mr. Abdulaziz Bin Saleh Alshathri	Member	0	0	0	0
Mr. Masad Bin Khalid Bin Saleh Alshathri	Member	2000	2000	0	0

Ownership of the relatives of the members of the Board of Directors (their spouses or their minor children):

The name of the one to whom the interest belongs	relative link	At the beginning of the year	At the end of the year	net change	percentage change
		Number of Shares	Number of Shares		
Mr. Khalid Bin Saleh Alshathri	Brother of Mr. Abdulaziz Bin Saleh Alshathri	14,151,399	11,136,588	3,014,811	21.30%
	Father of Mr. Masad Bin Khalid Bin Saleh Alshathri				

Ownership of senior executives and their relatives (their spouses and minor children):

There are no shares for senior executives or their relatives.



07

Seventh: Profit Distribution Policy

- Profit Distribution Policy.
- Remuneration policy for members of the Board of Directors and committees emanating from the Board and the Executive Management.
- Calculation of dividends for the year 2021 AD.
- Statement of the remuneration paid to members of the Board of Directors during the year 2021 AD.
- Remuneration of Committees' Members.
- Senior Executive Remunerations.



First: Profit Distribution Policy

In line with Article 47 of the company's By-Law, the company's annual net profits are distributed as follows:

1. Setting aside 10% of the net profits to form the company's statutory reserve, and the Ordinary General Assembly may decide to stop this set-up when the said reserve reaches 30% of the paid-up capital.
2. The Ordinary General Assembly may decide to form other reserves, to the extent that achieves the interest of the company or ensures the distribution of fixed profits as much as possible to the shareholders. The aforementioned assembly may also deduct sums from the net profits for the establishment of social institutions for the company's employees or to assist the existing such institutions.
3. After that, a percentage of no less than 5% of the paid-up capital of the company shall be distributed to the shareholders.
4. The remainder of the profits shall be distributed to the shareholders in accordance with Article (48) of the company's By-Law, which states: "The shareholder shall be entitled to a share of the profits in accordance with the resolution of the General Assembly issued in this regard. The resolution shall indicate the maturity date and the distribution date. The eligibility for profits shall be for the owners of shares registered in the shareholders' records at the end of the day specified for entitlement.

Second: Remuneration policy for members of the Board of Directors and committees emanating from the Board and the Executive Management

1. Policy Goal: this policy aims to:
 - a. Following standards related to the performance of the members of the Board of Directors, the committees emanating from the Board and the executive management, disclosing the policy and actual payments, and setting up a mechanism to verify the implementation of the policy to ensure the principle of transparency in dealing.
 - b. Determining the methodology for setting goals and expectations for the results of the council's work and the roles assigned to the members, and then defining the criteria used to evaluate performance.
 - c. Review the corrective measures applied by the Board of Directors, to review the effectiveness of the performance of the executive management and how to address any failures or weaknesses that are discovered.
 - d. Rewards are defined as amounts, allowances, profits and the like, periodic and annual bonuses linked to performance, short or long-term incentive plans, and any other benefits in kind, except for the actual reasonable expenditures and expenses incurred by the company on behalf of a member of the Board of Directors for the purpose of performing his work.

2. Scope of application of the policy: the policy applies to all of:

- a. Members of the Board of Directors.
- b. Members of committees of the Board.
- c. External members of committees of the Board.
- d. Executive management, five senior executives who receive the highest remuneration from the company, provided that the Chief Executive Officer (CEO) and the financial manager are among them.

3. The text of the policy of the members of the Board of Directors and the committees emanating from the Board and the Executive Management:

The members of the Board of Directors and the committees emanating from the Board and the Executive Management are entitled to remunerations based on this policy and in accordance with the criteria and regulations for the remuneration of the members of the Board of Directors and the committees emanating from the Board and the Executive Management. The Nominations and Remunerations Committee reviews the relationship between the remunerations granted and the remuneration policy, and evaluates its effectiveness in achieving the desired objectives. The Committee submits its recommendations to the Board of Directors regarding the remuneration of the members of the Board of Directors and its committees and senior executives of the company in accordance with the approved policy. The remuneration of members of the Board of Directors and committees emanating from the Board and the executive management may be a certain amount of money or attendance allowance for the sessions or other benefits, and it is permissible to grant two or more of these benefits.

The members of the Board of Directors shall be paid a remuneration for their management of the company, which is an annual amount not exceeding (200,000) Saudi riyals for each member, provided that the entitlement to this remuneration is proportional to the number of sessions attended by the member.

4. Criteria for remuneration of members of the Board of Directors and committees emanating from the Board and the Executive Management:

The following criteria are taken into consideration when approving the remuneration of the members of the Board of Directors and the committees emanating from the Board and the Executive Management:

- a. That the remunerations be fair and commensurate with the competencies of the member and the executive management, and the work and responsibilities they undertake and bear. In addition to the objectives set by the Board of Directors to be achieved during the financial year.

- b. The remuneration shall be based on the recommendation of the Nomination and Remuneration Committee.
- c. To provide remunerations with the aim of motivating and encouraging the members of the board of directors and the executive management to make the company successful and achieve its goals in the medium and long term. A mechanism can also be originated to link part of the variable rewards to the company's total and partial performance in the medium and long term, to use this as a tool to attract, maintain and motivate professionalism.
- d. To determine the remunerations based on the level of the job, the tasks and responsibilities assigned to the incumbent, educational qualifications, practical experience, and the skills necessary to perform the tasks.
- e. The remuneration should be consistent with the size, nature and degree of risk in the company.
- f. Taking into consideration the practices of other companies in determining remuneration and avoiding the unjustified increase in remuneration and compensation that might result from that.
- g. The Board of Directors may stop the payment of the remuneration or recover it, if it is found that it was decided on the basis of inaccurate information provided by a member of the Board of Directors or the Executive Management, in order to ensure that the employment situation is not exploited to obtain unearned remunerations.

5. Regulations for the remuneration of members of the Board of Directors and committees emanating from the Board:

In all cases, the sum of the remunerations and financial or in-kind benefits that a member of the Board of Directors receives shall not exceed five hundred thousand Saudi riyals annually, in accordance with the regulations set by the relevant authority, with the exception of executives.

6. Members of the Board of Directors and committees emanating from the Board are entitled to the following rewards:

- a. The members of the Board of Directors are entitled to an amount of (200,000 riyals as an annual remuneration), according to the company's regulations for the payment of rewards.
- b. A member of the Board of Directors shall be entitled to an allowance for attending the Board of Directors sessions to the amount of (3,000 Saudi riyals) for each session.
- c. A committee member is entitled to an attendance allowance of 3,000 Saudi riyals for attending the meeting of each of the board's committees.

7. Executive Management Remuneration:

With regard to the executive management, the Remuneration and Nomination Committee reviews and approves the salary scale specified for all employees and senior executives on an ongoing basis, and incentive programs and plans, based on the recommendation of the executive management. The remunerations of the executive management include the following:

- a. Basic salary (to be paid at the end of each Gregorian month and on a monthly basis).
- b. Allowances including, but not limited to, a housing allowance, and a transportation allowance.
- c. Other benefits, including, but not limited to (annual leave, end of service gratuity according to the Work Office System and the human resources policy approved by the company).

8. Cases of suspension of reward disbursement or redemption:

- a. The company shall recover the remuneration if it appears that the remuneration was decided based on inaccurate information provided by a member of the board of directors or the executive management.
- b. The company shall recover the remuneration if anything suspicious occurred before the remuneration was disbursed, and if it was proven that the remuneration was decided based on inaccurate information provided by a member of the board of directors or the executive management.

Third: Calculation of dividends for the year 2021 AD

No dividends were distributed for the year 2021.

Statement of dividend for the year 2021	Amount (SR)
Net profit before deduction of zakat	22,803,333.00
Deduct: Zakat	-5,046,012.00
Net profit after deducting zakat	17,757,321.00
Deduction: statutory reserve at the rate of 10% of the net profit after zakat	-1,775,732.10
Deduct: actuarial variance - recalculation of end-of-service indemnities in accordance with IFRS	-1,190,299.00
Net income for the year carried forward to retained earnings	14,791,289.90
The balance of the profits carried forward from the previous year is added	9,342,586.00
Gains from investments in equity instruments at fair value through other comprehensive income are added (impact from applying IFRS 9)	1,852,675.00
Reclassification deducts gains from investments in equity instruments at fair value	-1,852,675.00
Total retained earnings	24,133,875.90
Distribution of 25. Halala for each share	22,500,000.00
Balance of retained earnings after distribution and carried over to the next year	1,633,875.90

Fourth: Statement of the remuneration paid to members of the Board of Directors during the year 2021 AD

The company pays the members of the board of directors the expenses and allowances for attending sessions and financial rewards within the framework of the above system and policy. The following is a statement of the company's total payments to the members of the board of directors.

Statement of the remuneration paid to members of the Board of Directors during the year 2021 AD

Members of Board of Directors	Fixed Rewards						Variable Rewards						Total summation	Expense allowance
	Fixed Amount	Allowance for attending council sessions	Total allowance for attending committee sessions	In-kind benefits	Rewarding technical, administrative and advisory works	Remuneration of the Chairman, Managing Director, or Secretary, if he is a member	Total	Percentage of Profits Reward	Short term motivational plans	Long term motivational plans	(Granted Shares (Value is entered	Total		
First: The Independent Members														
Mr. Abdel Aziz Bin Abdel Rahman Alkhamees	200,000	21,000	21,000	-	-	-	242,000	-	-	-	-	-	242,000	-
Mr. Tareq Bin Khalid Alangari	200,000	21,000	15,000	-	-	-	236,000	-	-	-	-	-	236,000	-
Mr. Abdulrahman Bin Rashed Albluwe	200,000	21,000	9,000	-	-	-	230,000	-	-	-	-	-	230,000	-
Mr. Wafi Bin Nafe Alshakhs	200,000	21,000	6,000	-	-	-	227,000	-	-	-	-	-	227,000	-
Total	800,000	84,000	51,000	-	-	-	935,000	-	-	-	-	-	935,000	-
Second: Non-Executive Members														
Mr. Saud Bin Soliman Al-Jehani	200,000	21,000	21,000	-	-	200,000	442,000	-	-	-	-	-	442,000	-
Mr. Abdulaziz Bin Saleh Alshathri	200,000	21,000	6,000	-	-	-	227,000	-	-	-	-	-	227,000	-
Mr. Masad Bin Khalid Bin Saleh Alshathri	200,000	21,000	18,000	-	-	-	239,000	-	-	-	-	-	239,000	-
Total	600,000	63,000	45,000	-	-	200,000	908,000	-	-	-	-	-	908,000	-
Third: the Executive Members														
1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Fifth: Remuneration of Committees' Members

Member	Fixed remuneration (except for attendance allowance)	Allowance for attending sessions	Total
Members of the Audit Committee			
Mr. Tareq Bin Khalid Alangari	75,000	12,000	87,000
Mr. Ali Bin Soliman Al-Ayed (A member from (outside the council	50,000	12,000	62,000
Mr. Turkey Bin Abdulmohsen Al-Luhaid (A (member from outside the council	50,000	12,000	62,000
Total	175,000	36,000	211,000
Members of the Executive Committee			
Mr. Saud Bin Soliman Al-Jehani	-	18,000	18,000
Mr. Abdel Aziz Bin Abdel Rahman Alkhamees	-	18,000	18,000
Mr. Masad Bin Khalid Bin Saleh Alshathri	-	18,000	18,000
Total	-	54,000	54,000
Members of the Nominations and Remunerations Committee			
Mr. Abdulrahman Bin Rashed Albluwe	-	6,000	6,000
Mr. Abdulaziz Bin Saleh Alshathri	-	6,000	6,000
Mr. Wafi Bin Nafe Alshakhs	-	6,000	6,000
Total	-	18,000	18,000
Members of the Governance Committee			
Mr. Abdel Aziz Bin Abdel Rahman Alkhamees	-	3,000	3,000
Mr. Saud Bin Soliman Al-Jehani	-	3,000	3,000
Mr. Tareq Bin Khalid Alangari	-	3,000	3,000
Mr. Abdulrahman Bin Rashed Albluwe	-	3,000	3,000
Total	-	12,000	12,000

Sixth: Senior Executive Remunerations

Senior Executive Positions	Fixed Rewards			Variable Rewards					End of Service Reward	Total executive remuneration for the board, if any	Total summation
	Salaries	Allowances	In-kind benefits	Periodical rewards	Profit	Short term motivational plans	Long term motivational plans (Granted Shares (Value is entered	Total			
Total	1,920,000	-	-	1,920,000	870,000	-	-	-	870,000	-	-

In light of the foregoing policies and the subsequent details of the paid rewards, the company affirms the following:

- There are no arrangements or agreements under which a member of the Board of Directors or a senior executive has waived any rewards, salaries or compensation during the fiscal year 2021 AD.
- There are no arrangements or agreement under which one of the company's shareholders has waived any rights to profits during the fiscal year 2021 AD.
- There are no other investments or reserves created for the benefit of the company's employees during the year 2021 AD, except for the end-of-service reward according to the regulations issued by the competent authorities.



0088

Eighth: Company Governance

- Introduction to the Concept of Corporate Governance at Tabuk Cement Company.
- The Board of Directors.
- The Committees emanating from the Board of Directors.
- Dealing with the Related Parties.
- The Results of Governance Practices during the year 2021 AD.
- Shareholders' Rights and the General Assembly.
- Disclosure and Transparency Policies.
- Declarations of the Board of Directors.



First: Introduction to the Concept of Corporate Governance at Tabuk Cement Company.

Governance aims to set the rules and standards organizing to ensure adherence to the best practices of governance that safeguard the protection of the rights of shareholders and stakeholders. Accordingly, Tabuk Cement Company is committed to adopting the highest standards of governance, in the belief that a rigorous governance system is the important tool in developing the wealth of shareholders in the long term, and this system is consistent with the company's commitment to quality in all its operations, activities and products. The rules, policies and procedures contained in this by-law are binding on all members of the board of directors, executive management, managers and employees of the company, and this system may not be amended except by a decision of the company's board of directors.

The corporate governance system of Tabuk Cement Company is defined as being based on important foundations, which are:

1. The optimal system through which the company is directed and monitored, and clarifies the governance structure and the distribution of powers and responsibilities among the various participants in the company, such as the board of directors, managers, shareholders and other stakeholders.
2. It clarifies the rules and procedures related to decision-making in the company's affairs, and provides the structure that clarifies the company's objectives, means of achieving them, and monitoring performance. The board of directors is responsible for the corporate governance system in Tabuk Cement Company.

In addition, the corporate governance system of Tabuk Cement Company was formulated in a manner that does not contradict with the regulations of the by-law of the Corporate Governance issued by the Board of the Capital Market Authority, and in accordance with the internationally recognized standards of corporate governance. It must be considered as the basis of the corporate governance system and not as a substitute for proper management policies for all management levels in the company, and it must be taken into consideration within:

- The Capital Market By-Law issued by Royal Decree No. M/30 dated 061424/02/ AH and its implementing regulations.
- The Companies By-Law issued by Royal Decree No. M/3, dated 281437/01/ AH, and its amendments, and the decisions and circulars issued by the Ministry of Commerce and Investment.
- The By-Law of Tabuk Cement Company.

(The Board of Directors or the General Assembly may) amend these regulations from time to time when needed, in accordance with the instructions and requirements of the Capital Market Authority, business needs and the requirement of proper management, and in a manner that does not conflict with the Corporate Governance Regulations issued by the Board of the Capital Market Authority.



Second: The Board of Directors (Composition, functions and classification of its members)

The General Assembly appoints seven members of the Board of Directors through ordinary voting and remote voting, from among the applicants for membership of the Board, in accordance with the regulations and procedures set by the Ministry of Commerce and Investment, the Capital Market Authority, and the company's by-law, for a period not exceeding three years. They may be re-elected, bearing in mind that the Tabuk Cement Company's corporate governance system requires that the majority of the board's members be non-executives.

Definition of the Board of Directors:

The Board of Directors is the supreme administrative entity in the company, which represents it and protects its interests. The board has several main tasks, namely:

1. Leading and monitoring the company's business, activities, and continuous follow-up of its performance.
2. Exercising this responsibility by adopting and implementing its policies and objectives and supporting its managements in performing their tasks according to specific criteria.
3. Directing and monitoring the executive management, and setting appropriate regulations for its work. This includes defining a clear vision and strategy for the company and defining the basis for delegating powers to the management, and the policies and limitations that are allowed to operate within its limits.

The responsibility of the Board of Directors is also represented in several points, including:

4. Setting the strategic objectives of the company and providing leadership to implement them, supervising the management of the company and preparing reports for shareholders on their management of the company.
5. The work of the Board of Directors is subject to the laws, regulations, and the by-law of the company and to the oversight of the shareholders in the company's general assembly.

Among the responsibilities of the Board of Directors is to approve the strategic directions and the main objectives of the company and to supervise their implementation. This includes:

6. Develop, review and direct the company's overall strategy, main business plans and risk management policy.
7. Determining the optimal capital structure for the company, its strategies and financial objectives, and approving annual budgets.
8. Oversee the company's major capital expenditures, and own and dispose of assets.
9. Setting performance objectives and monitoring implementation and overall performance in the company.
10. Periodic review and approval of organizational and functional structures in the company.



Establishing regulations and rules for internal monitoring and general supervision over them, including:

1. Develop a written policy regulating conflict of interest and addressing potential conflict situations for members of the Board of Directors, executive management and shareholders, including preventing misuse of the company's assets and facilities, and preventing misconduct resulting from dealings with the concerned persons.
2. Ensure the integrity of the financial and accounting systems, including those related to the preparation of financial reports.
3. Ensuring the implementation of monitoring systems for risk management, by determining the general perception of the risks that the company may face and presenting them in a transparent manner.
4. Annual review of the effectiveness of the company's internal monitoring procedures.

There are also some responsibilities entrusted to the Board of Directors in line with the relevant regulations and by-laws, including:

- Drafting the corporate governance system and rules in a manner that does not conflict with the ruling and texts of the regulations and by-laws in force, monitoring the effectiveness of these rules in general and amending them when necessary.
- Develop policies, standards and procedures for the membership of the Board of Directors and put them into practice after approval by the General Assembly.
- Develop a written policy regulating the relationship with related parties in order to protect the rights of all parties.
- Establishing rules of professional conduct for the company's managers and employees in accordance with proper professional and ethical standards.

- Develop policies and procedures that ensure the company's respect for the regulations and by-laws and the company's commitment to disclosing material information to shareholders, creditors and other parties.
- Preparing the financial statements and the annual report on the company's activities and its financial position for the elapsed fiscal year, including the proposed method for paying dividends.
- Recommending to the shareholders' general assembly the appointment and dismissal of auditors and determine their remuneration.

A-Composition of Board Members and their Membership Classifications

The corporate governance by-law of Tabuk Cement Company specifies that the majority of the Board of Directors members shall be non-executive members. It also stipulates that the number of independent members of the Board of Directors shall not be less than two members or one third of the members of the board, whichever is greater.

The Members of the Board of Directors are classified as follows:

Members	Membership Classification		
	Executive	Non- Executive	independent
Mr. Saud Bin Soliman Al-Jehani		•	
Mr. Abdel Aziz Bin Abdel Rahman Alkhamees			•
Mr. Tareq Bin Khalid Alangari			•
Mr. Abdulrahman Bin Rashed Albluwe			•
Mr. Wafi Bin Nafe Alshakhs			•
Mr. Abdulaziz Bin Saleh Alshathri		•	
Mr. Masad Bin Khalid Bin Saleh Alshathri		•	

B- Experiences of members of the Board of Directors and affiliated committees in current and previous companies:



Mr. Saud Bin Soliman Al-Jehani	
Present Positions	<ul style="list-style-type: none"> Chairman of the Board of Directors of Tabuk Cement Company - Chairman of the Executive Committee Assistant Governor for Insurance Affairs at the General Organization for Social Insurance
Previous Positions	<ul style="list-style-type: none"> Vice Chairman of the Board of Directors of Tabuk Cement Company. Assistant Governor for Insurance Affairs at the Public Pension Agency
Qualifications and Experience	<ul style="list-style-type: none"> Master Degree in Actuarial Science from the University of Kent in the United Kingdom. Higher Diploma in Actuarial Science from the University of Kent in the United Kingdom. Certificate in Global Management, INSEAD. Bachelor Degree in Management Information Systems from King Fahd University of Petroleum and Minerals.

Names of companies inside and outside the Kingdom for which a member of the company's board of directors is a member of its current and previous boards of directors or one of its managers:

Names of companies whose current board of directors or managers is one of them	Inside / outside the Kingdom	/ legal Entity
Member of the Board of Directors of the Saudi National Bank and member of the Risk Committee	Inside the Kingdom	Listed Shareholding Company
Member of the Board of Directors of the National Industrialization Company and Chairman of the Nominations Committee	Inside the Kingdom	Listed Shareholding Company
Member of the Board of Directors of the Saudi Industry Development Company, and a member of the (Investment Committee (Tatweer	Inside the Kingdom	Unlisted Shareholding Company
Member of the Audit Committee of the Saudi International Petrochemical Company (Sipchem	Inside the Kingdom	Unlisted Shareholding Company



Mr. Abdel Aziz Bin Abdel Rahman Alkhamees	
Present Positions	<ul style="list-style-type: none"> Vice Chairman of the Board of Directors of Tabuk Cement Company, and Chairman of the Governance Committee
Previous Positions	<ul style="list-style-type: none"> Consultant at Raidah Investment Company (RIC). Deputy Governor for Investment Affairs at the Public Pension Agency. General Manager for Financial Investment at the Public Pension Agency. Senior of Fixed Income Dealers in the Investment Management at the Saudi Arabian Monetary Agency. Assistant Head of Dealers in the Investment Management at the Saudi Arabian Monetary Agency. First Officer for Dealers in the Investment Management at the Saudi Arabian Monetary Agency.
Qualifications and Experience	<ul style="list-style-type: none"> Bachelor Degree in Economics, Northeastern University, Boston, United States of America.

Names of companies inside and outside the Kingdom for which a member of the company's board of directors is a member of its current and previous boards of directors or one of its managers:

Names of companies whose current board of directors or managers is one of them	Inside / outside the Kingdom	/ legal Entity / Listed Shareholding Company / Unlisted Shareholding / Company / Limited Liability company
The Saudi Investment Bank	Inside the Kingdom	Listed Shareholding Company
Cooperative Insurance Company	Inside the Kingdom	Listed Shareholding Company
United Insurance Company	Bahrain	Closed Joint Stock Company
Sipchem Company	Inside the Kingdom	Listed Shareholding Company
Saudi Polymers Company	Inside the Kingdom	Closed Joint Stock Company
Gulf Polymers Distribution Company	United Arab Emirates	Closed Joint Stock Company



Mr. Tareq Bin Khalid Alangari	
Present Positions	<ul style="list-style-type: none"> Member of the Board of Directors of Tabuk Cement Company - Chairman of the Audit Committee Member of the Board of Directors of Leejam Sports Company (Fitness Time) and Member of the Executive Committee. Chief Executive Officer (CEO) of Etisalat Digital (a subsidiary of Emirates Telecom Group) from April 2020 AD to date.
Previous Positions	<ul style="list-style-type: none"> Vice Chairman of the Board of Directors of Tabuk Cement Company, starting from April 14, 2019 until January 25, 2020. Executive General Manager of Investor Relations and Secretary of the Board of Directors of Mobily Company from January 2016 to March 2020. Chairman of the Board of Directors of Mobily Ventures - a subsidiary of Mobily Company. Advisor to the Board of the Capital Market Authority.
Qualifications and Experience	<ul style="list-style-type: none"> Master of Business Administration (MBA) from IE Business School. Diploma in Corporate Finance and Credit Bachelor Degree in Marketing from King Fahd University of Petroleum and Minerals.

Names of companies inside and outside the Kingdom for which a member of the company's board of directors is a member of its current and previous boards of directors or one of its managers:

Names of companies whose current board of directors or managers is one of them	Inside / outside the Kingdom	/ legal Entity Listed Shareholding / Company Unlisted Shareholding / Company Limited Liability company
Member of the Board of Directors of Leejam Sports Company (Fitness Time)	Inside the Kingdom	Listed Shareholding Company
Member of the Nominations Committee for Filling and Packaging Materials Manufacturing Company ((FIPCO	Inside the Kingdom	Listed Shareholding Company



Mr. Abdulrahman Bin Rashed Albluwe	
Present Positions	<ul style="list-style-type: none"> Member of the Board of Directors of Tabuk Cement Company, and Chairman of the Nominations and Remunerations Committee. Chief Executive Officer (CEO) of the Natural Gas Distribution Company
Previous Positions	<ul style="list-style-type: none"> Managing Director, ESPAC Company.
Qualifications and Experience	<ul style="list-style-type: none"> Bachelor Degree in Business Administration from King Saud University. Master Degree in International Business Administration from Portland University in the United States of America. Experience of more than 25 years in the field of investment and banking, investment and real estate development, industrial, and construction and building.

Names of companies inside and outside the Kingdom for which a member of the company's board of directors is a member of its current and previous boards of directors or one of its managers:

Names of companies whose current board of directors or managers is one of them	Inside / outside the Kingdom	/ legal Entity Listed Shareholding / Company Unlisted Shareholding / Company Limited Liability company
ESPAC Construction Company	Inside the Kingdom	Closed
United Mining Company	Inside the Kingdom	Closed
Amjad Holding Company	Inside the Kingdom	Closed



Mr. Wafi Bin Nafe Alshakhs	
Present Positions	<ul style="list-style-type: none"> Member of the Board of Directors of Tabuk Cement Company. Chairman of the Board of Directors of Tabuk Construction and Development Company.
Previous Positions	<ul style="list-style-type: none"> Air Force Brigadier General.
Qualifications and Experience	<ul style="list-style-type: none"> Bachelor Degree in Aeronautical Sciences.

Names of companies inside and outside the Kingdom for which a member of the company's board of directors is a member of its current and previous boards of directors or one of its managers:

Names of companies whose current board of directors or managers is one of them	Inside / outside the Kingdom	/ legal Entity Listed Shareholding / Company Unlisted Shareholding / Company Limited Liability company
None	-	-



Mr. Abdulaziz Bin Saleh Alshathri	
Present Positions	<ul style="list-style-type: none"> Member of the Board of Directors of Tabuk Cement Company. Executive Director of Khaled Al-Shathry Group for General Investments.
Previous Positions	<ul style="list-style-type: none"> General Manager of Dar Al Riyadh Contracting Company. Member of the Board of Directors and member of the Audit Committee of Shams Tourism Company (a joint stock company).
Qualifications and Experience	<ul style="list-style-type: none"> Bachelor Degree in Political Science.

Names of companies inside and outside the Kingdom for which a member of the company's board of directors is a member of its current and previous boards of directors or one of its managers:

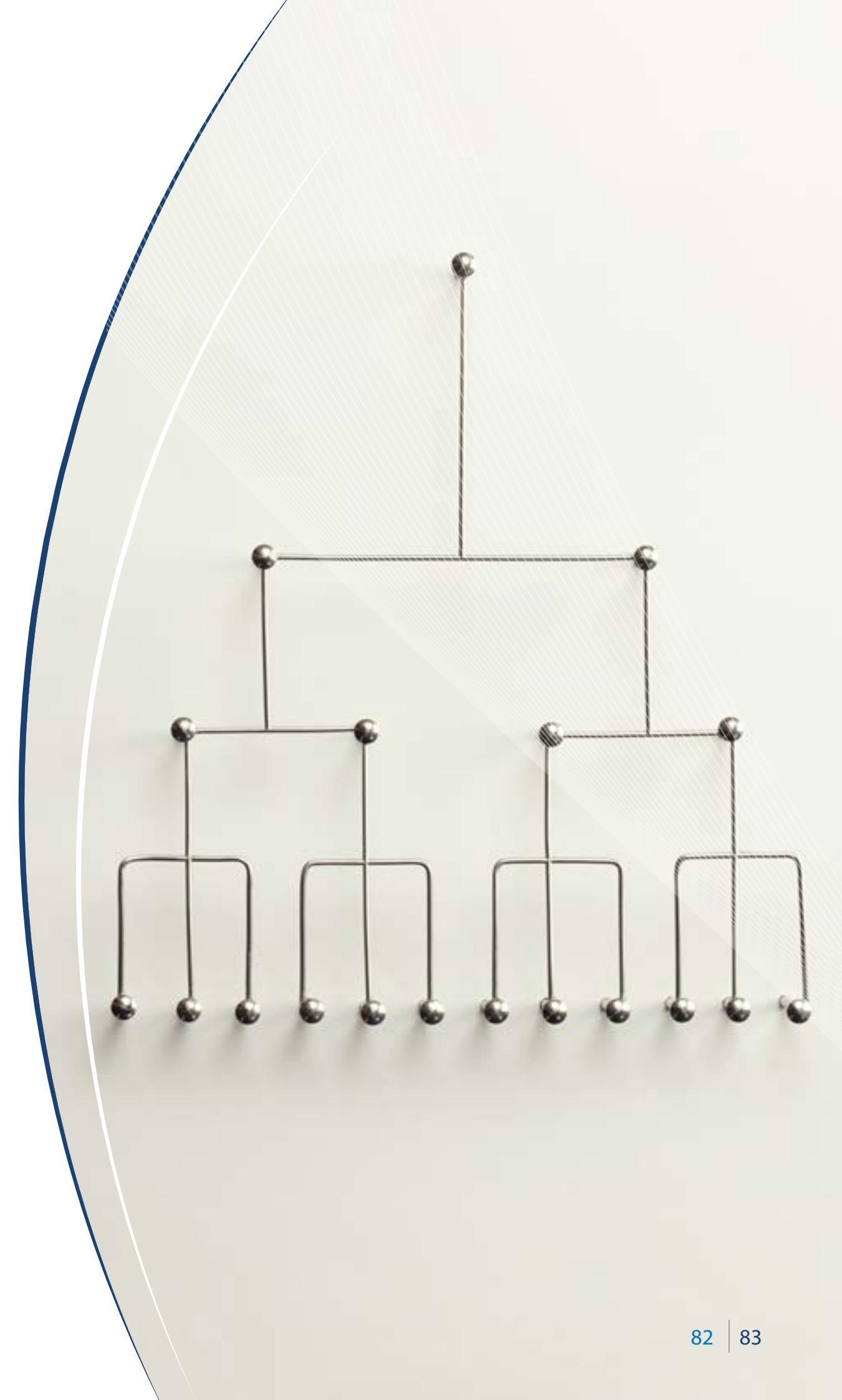
Names of companies whose current board of directors or managers is one of them	Inside / outside the Kingdom	/ legal Entity Listed Shareholding / Company Unlisted Shareholding / Company Limited Liability company
Executive Director of Khaled Al-Shathry Group for General Investments	Inside the Kingdom	Unlisted
Executive Director of Khaled Al-Shathry Group for General Investments	Inside the Kingdom	Unlisted
Member of the Audit Committee of Shams Tourism Company	Inside the Kingdom	Listed Shareholding Company

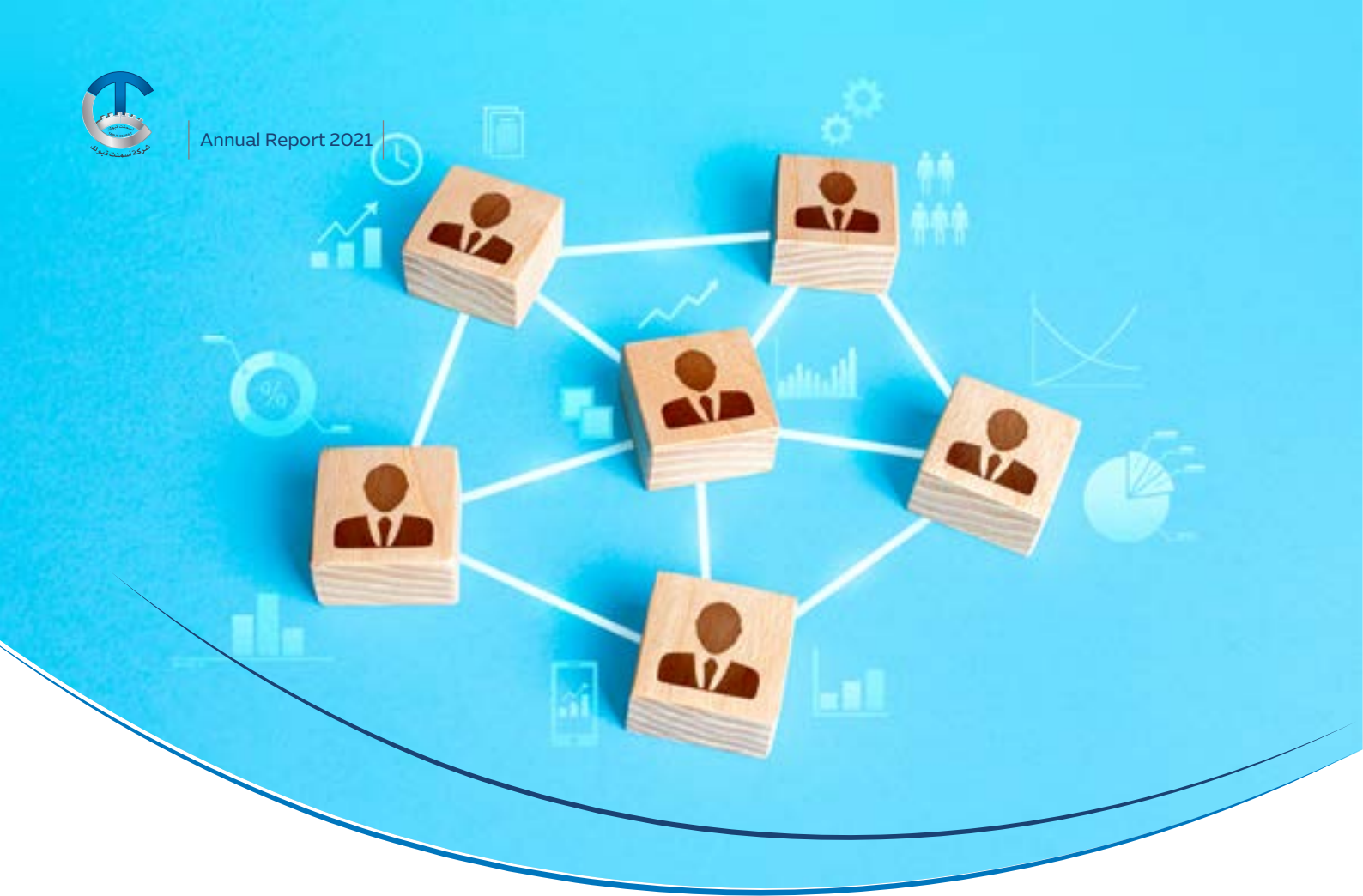


Mr. Masad Bin Khalid Bin Saleh Alshathri	
Present Positions	· Member of the Board of Directors of Tabuk Cement Company.
Previous Positions	· None.
Qualifications and Experience	· Bachelor Degree in Operations and Project Management.

Names of companies inside and outside the Kingdom for which a member of the company's board of directors is a member of its current and previous boards of directors or one of its managers:

Names of companies whose current board of directors or managers is one of them	Inside / outside the Kingdom	/ legal Entity Listed Shareholding / Company Unlisted Shareholding / Company Limited Liability company
None	-	-





C- Current and previous positions, qualifications and experiences of members of the committees from outside the board:

Mr. Ali Bin Soliman Al-Ayed Members of the Audit Committee from outside the council	
Present Positions	<ul style="list-style-type: none"> Retired - Member of the Audit Committee of Tabuk Cement Company.
Previous Positions	<ul style="list-style-type: none"> Director General of Monitoring of Insurance Companies.
Qualifications and Experience	<ul style="list-style-type: none"> Bachelor Degree in Accounting from King Saud University.

Mr. Turkey Bin Abdulmohsen Al-Luhaid Members of the Audit Committee from outside the council	
Present Positions	<ul style="list-style-type: none"> Partner in Al Luhaid & Al Yahya Chartered Accountants Member of the Audit Committee of Tabuk Cement Company.
Previous Positions	<ul style="list-style-type: none"> Audit Manager and Partner at Ernst & Young (EY).
Qualifications and Experience	<ul style="list-style-type: none"> Bachelor Degree in Accounting from King Saud University. Chartered Accountant and Fellow of the American Association of Chartered Accountants

D- Senior company executives, their positions, qualifications and previous experience

Engineer: Ali Bin Saif Al-Qahtani (Chief Executive Officer (CEO))	
Present Positions	<ul style="list-style-type: none"> Chief Executive Officer (CEO) of Tabuk Cement Company.
Previous Positions	<ul style="list-style-type: none"> Chief Executive Officer (CEO) of Al-Jeri Transport Company. Project Support Department Manager - Saudi Aramco Company. Planning consultant delegated from Saudi Aramco Company to the Electricity Company. Head of the Internal Strategic Planning Team - Saudi Aramco Company. Senior Operation Engineer - Saudi Aramco Company, Engineering Supervisor - Saudi Aramco Company. New Business Development Supervisor - Saudi Aramco Company. Senior Operating Representative - Saudi Aramco Company.
Qualifications	<ul style="list-style-type: none"> Bachelor Degree in Accounting from King Saud University. Higher Diploma in Business Administration – Colorado Higher Diploma in Finance - Institute of Banking
Previous Experience	<ul style="list-style-type: none"> Chief Executive Officer (CEO) of Al-Jeri Transport Company. Project Support Department Manager - Saudi Aramco Company. Planning consultant delegated from Saudi Aramco Company to the Electricity Company. Head of the Internal Strategic Planning Team - Saudi Aramco Company. Senior Operation Engineer - Saudi Aramco Company, Engineering Supervisor - Saudi Aramco Company. New Business Development Supervisor - Saudi Aramco Company. Senior Operating Representative - Saudi Aramco Company.

Mansour Ibrahim Al-Habdan	
Present Positions	<ul style="list-style-type: none"> Financial Department Manager of Tabuk Cement Company.
Previous Positions	<ul style="list-style-type: none"> Chief Financial Officer (CFO) at the Company of Dr. Abdulrahman Al-Mashari Hospital.
Qualifications	<ul style="list-style-type: none"> Bachelor Degree in Accounting from King Saud University. Higher Diploma in Business Administration – Colorado Higher Diploma in Finance - Institute of Banking
Previous Experience	<ul style="list-style-type: none"> Credit Manager for the Central Region - Riyadh Bank. Director of Planning and Budgeting Reports - Nadecc Agricultural Company. Chief Financial Officer (CFO) - National Finance Company. Chief Financial Officer (CFO) - Al Salam Medical Group Company. Chief Financial Officer (CFO) - Company of Dr. Abdulrahman Al-Mashari Hospital.

E- Attendance Table for Board of Directors meetings during the year 2021 AD

Member	Meeting Number and Date						
	Meeting No. 146 2021/01/20	Meeting No. 147 2021/03/09	Meeting No. 148 2021/04/28	Meeting No. 149 2021/06/02	Meeting No. 150 2021/07/07	Meeting No. 151 2021/08/03	Meeting No. 152 2021/12/30
Mr. Saud Bin Soliman Al-Jehani	●	●	●	●	●	●	●
Mr. Abdel Aziz Bin Abdel Rahman Alkhamees	●	●	●	●	●	●	●
Mr. Tareq Bin Khalid Alangari	●	●	●	●	●	●	●
Mr. Abdulaziz Bin Saleh Alshathri	●	●	●	●	●	●	●
Mr. Masad Bin Khalid Bin Saleh Alshathri	●	●	●	●	●	●	●
Mr. Wafi Bin Nafe Alshakhs	●	●	●	●	●	●	●
Mr. Abdulrahman Bin Rashed Albluwe	●	●	●	●	●	●	●

Member	The thirty-fourth ordinary General Assembly, held on On Wednesday 25 Shaban 1442 AH Corresponding to 07 April 2021 AD
Mr. Saud Bin Soliman Al-Jehani	●
Mr. Abdel Aziz Bin Abdel Rahman Alkhamees	●
Mr. Tareq Bin Khalid Alangari	●
Mr. Abdulaziz Bin Saleh Alshathri	●
Mr. Masad Bin Khalid Bin Saleh Alshathri	●
Mr. Wafi Bin Nafe Alshakhs	●
Mr. Abdulrahman Bin Rashed Albluwe	●

● Attend ○ Excuse

F- Actions taken by the Board of Directors to inform its members - especially non-executives - of the shareholders' proposals and comments regarding the company and its performance

The company's by-law and the corporate governance regulations guarantee to shareholders all rights related to the share. Accordingly, the company has taken a number of measures to inform the members of the Board of Directors, especially the non-executives, about the shareholders' proposals regarding the company and its performance as follows:

1. The company has designated an "Investor Relations Department" in the company that will respond to shareholders' inquiries and receive their comments or complaints through the communication channels available via the company's website, phone or e-mail.
2. These inquiries are examined and categorized - if any - and the essential ones are submitted to the Board of Directors during its periodic meetings.
3. The company is always keen to urge all members of its Board of Directors to attend the general assemblies to answer the shareholders' questions and to take stock of their views and observations on the company and its performance.
4. Shareholders' questions and inquiries are recorded in the minutes of the general assemblies meetings and kept at the company's headquarters, and any shareholder can view them upon request.

G- The means that the Bboard of Directors relied on in evaluating its performance and the performance of its committees or members, the external party that carried out the evaluation and its relationship with the company, if any

Proceeding from the keenness of the Board of Directors of Tabuk Cement Company to achieve all corporate governance articles issued by the Capital Market Authority, including guiding articles and the most prominent internationally applicable practices. Tabuk Cement Company has carried out a periodic evaluation of the performance of its Board of Directors and its committees since 2018, with the aim of identifying the strengths and weaknesses and proposing to address them in line with the company's interest. In addition, the proposed solutions were presented that would achieve the interest of the company. The mechanisms, methodology and standards used in the evaluation process were submitted to the Board of Directors before its implementation. These procedures included a comprehensive questionnaire dealing with the tasks and duties of the members of the Board of Directors and committees emanating from the Board. The evaluation process also included a review of the effectiveness of the Board of Directors' meetings and the enhancement of their ability to achieve their objectives.

Title of the Workshop	The executing agency	Its date
A remote workshop entitled "Workshop on the companies listed on the Saudi stock market, from the Zakat, Tax and ".Customs Authority	Zakat, Tax and Customs Authority	December 2021 07
A remote workshop entitled "Zakat base in listed "companies	Financial Market Authority	June 2021 22
A remote workshop entitled "A workshop to allow the ".application of the fair value or revaluation model	Financial Market Authority	June 2021 29
A short course entitled "Governance and the importance ".of its application for companies	Saudi Center for Governance	April 2021 19
Certified International Corporate Governance Officer Short Course	Money Experts	October 2021 14-10

Third: The Committees emanating from the Board of Directors

The Board of Directors has formed specialized committees in line with the Corporate Governance Regulations issued by the Board of the Capital Market Authority, with the aim of assisting the Board in performing its duties effectively and in accordance with the company's needs and the nature of its business.

These committees were formed in accordance with general procedures established by the Board, which include defining the tasks of each committee, the duration of its work, the powers granted to it, and how the Board monitors them.

It was also taken into account the appointment of a sufficient number of non-executive board members in the committees concerned with the tasks that may create situations of conflict of interest, such as ensuring the integrity of financial and non-financial reports, reviewing related party deals - if any - and nomination for membership of the board of directors, appointment of senior executives, and determine rewards, etc.

The chairmen and members of these committees shall abide by the principles of honesty, trustworthiness, loyalty, care and concern for the interests of the company and its shareholders, and prioritizing them over their personal interests.

Bearing in mind that all current and previous jobs, qualifications and experiences of committee members, whether from the Board of Directors or from outside the Board, were previously discussed.

The following summarizes a description of the affiliated committees, a statement of their members, their responsibilities, and their meetings held throughout the year 2021 AD:

1. The Executive Committee

The company's Board of Directors forms the Executive Committee from a number of its members, provided that their number is not less than three members in addition to the company's Chief Executive Officer (CEO). In this regard, a resolution is issued by the Board of Directors specifying the names of the committee members and the name of the committee chairman. The aim of this committee is allocating more time and effort to discuss certain issues and make recommendations regarding them to facilitate decision-making within the Board of Directors. The formation of the Executive Committee was as follows:

Members of the Executive Committee

S	Member	Membership Status
1	Mr. Saud Bin Soliman Al-Jehani	Committee Chairman
2	Mr. Abdel Aziz Bin Abdel Rahman Alkhamees	Committee Member
3	Mr. Masad Bin Khalid Bin Saleh Alshathri	Committee Member
4	Engineer: Ali Bin Saif Al-Qahtani	Committee Member



Committee duties and responsibilities:

The Executive Committee shall assume all tasks and responsibilities that fall within the scope of its purposes, and any other tasks and responsibilities assigned to it by the Board of Directors, in particular the following:

Managing and directing the business and affairs of the company and informing the Board of Directors of the decisions or actions taken by the committee or those that require approval by the Board.

Discussing any topic that falls within the competences of the Board of Directors without exception, and submitting these recommendations to the Board of Directors to take the appropriate decisions in their regard. These include, but are not limited to, appointing advisory bodies, making recommendations to the Board of Directors regarding candidacy for membership in the committee, and periodically reviewing the committee's by-laws.

Preparing an annual report to the Board of Directors on the work accomplished by the committee.

Designing a matrix of powers in the company, submitting it to the Board of Directors for approval, and reviewing it periodically by the committee.

Reviewing periodic management reports, evaluating performance, reviewing new investments or reinvesting, and approving them before submitting them to the Board for approval.

Reviewing annual budgets and plans, and investigating the essential differences related to budgets (if any) before they are presented to the Board of Directors.

Periodic reviewing of capital expenditures, placing the company's assets in mind, reviewing investment plans in the company's surplus liquidity, discussing investment and expansion opportunities, in addition to standing up to the challenges facing the company's operational activities, to ensure the quality of products.

Table of Attendance of the meetings of the Executive Committee by the members, for the year 2021 AD:

Member	Meeting Number and Date					
	Meeting No. 70 2021/02/17	Meeting No. 71 2021/05/02	Meeting No. 72 2021/06/23	Meeting No. 73 2021/09/14	Meeting No. 74 2021/11/18	Meeting No. 75 2021/12/15
Mr. Saud Bin Soliman Al-Jehani	●	●	●	●	●	●
Mr. Abdel Aziz Bin Abdel Rahman Alkhamees	●	●	●	●	●	●
Mr. Masad Bin Khalid Bin Saleh Alshathri	●	●	●	●	●	●
Engineer: Ali Bin Saif Al-Qahtani	●	●	●	●	●	●

● Attend ○ Excuse

2- The Audit Committee

In accordance with Article 101 of the Companies Law issued by the Ministry of Commerce for Investment, Article 54 of the Corporate Governance Regulations issued by the Board of the Capital Market Authority, and the corresponding articles of the company's By-Law and governance regulations, the Audit Committee was formed by a decision of the Fifth Extraordinary General Assembly in its third meeting held on 07 Jumada Al-Ula 1441 AH corresponding to January 02, 2020 AD, to consist of four non executive members of the Board of Directors, including specialists in financial and accounting affairs, with the approval of the committee's work regulations specifying the rules and procedures for its duties and the remuneration of its members.

The formation of the Audit Committee was as follows:

Members of the Audit Committee

S	Member	Membership Status
1	Mr. Tareq Bin Khalid Alangari	Committee Chairman
2	Mr. Ali Bin Soliman Al-Ayed	Committee Member
3	Mr. Turkey Bin Abdulmohsen Al-Luhaid	Committee Member

Duties and Responsibilities of the Audit Committee:

A- External auditor and financial reports:

1. Reviewing and evaluating the qualifications, performance and independence of the external auditors, including the main partner and other senior members of the independent auditor's team, on an annual basis, and obtaining annual acknowledgment of that independence.
2. Reviewing the external auditor's plan, scope and methodology.
3. Supervising the activities of the external auditors and approving any activity outside the scope of the audit work assigned to them while performing their duties.
4. Reviewing the comments or qualifications of the external auditor on the financial statements and following up on the actions taken in their regard.
5. Reviewing the external auditor's report on the financial statements and management message.
6. Reviewing the interim and annual financial statements before presenting them to the Board of Directors and expressing opinions and recommendations regarding their integrity, integrity and transparency.

7. At the request of the Board of Directors, the Committee provides its technical opinion on whether the annual report of the Board of Directors and the financial statements are fairly, consistent and understandable and contain an appropriate amount of information to enable shareholders and investors to evaluate the financial position of Tabuk Cement Company, the results of its operations, business models and strategies.
8. Reviewing with external auditors the extent to which changes or improvements in financial or accounting practices have been implemented.
9. Regularly reviewing with the external auditors any audit problems or difficulties they encounter during audit work, including any limitations on the scope of the external auditors' activities or on obtaining the required information and management's response thereto.
10. Reviewing and discussing quarterly and annual press releases.
11. The interim financial statements are accepted after being approved by the Board of Directors, and are signed by an authorized member of the Board of Directors, the CEO and the financial manager, and they are disclosed to shareholders within a period not exceeding (30) days from the end of the financial period covered by those statements.

B- Internal Audit:

1. Studying and reviewing the company's internal and financial monitoring systems and risk management system.
2. Reviewing the internal audit reports and following up the implementation of corrective measures in relation to the audit notes contained therein.
3. Monitoring and supervising activities if the company's internal audit department ensures its effectiveness in carrying out the activities and duties determined by the Board of Directors. If the company does not have an internal auditor, the committee must submit its recommendation to the Board of Directors regarding the need for his appointment.

C- Auditor

1. Recommending the Board of Directors to nominate or dismiss auditors, and determine their remunerations and evaluate their performance, after verifying their independence and reviewing the scope of their work and the terms of their contract.
2. Verifying the auditor's independence, objectivity and fairness, and the effectiveness of audit work, taking into account the relevant rules and standards.
3. Reviewing the company's auditor's plan and work, and verifying that he has not submitted technical and administrative works that are outside the scope of audit work, and providing its views in this regard.
4. Answering the company's auditor's inquiries.
5. Studying the auditor's report and his notes on the financial statements and following up on what was taken in their regard.

D- Assurance of Commitment

1. Reviewing the results of any examinations by the regulatory bodies and ensure that the company has taken the necessary measures in this regard.
2. Ensuring that the Company has responded appropriately to comply with the relevant laws, regulations, policies and procedures.
3. Reviewing the proposed contractual arrangements and transactions with the related parties and submitting its opinion to the Board of Directors regarding these arrangements and transactions.

E- Morality and fraud

1. The Committee shall arrange to enable Company employees to submit anonymous reports of concerns and comments in relation to financial reports and other matters. The committee should also ensure that procedures are implemented effectively by conducting appropriate independent investigations into the extent of irregularities, errors, inaccuracies or misdeeds reported, and take appropriate follow-up actions.
2. Ensuring that appropriate measures are taken to respond to any reported allegations or concerns, including obtaining outside legal or technical advice when necessary.
3. Reviewing and evaluating the operations of Tabuk Cement Company to manage the Code of Ethical Conduct.

Table of Attendance of the meetings of the Audit Committee by the members, for the year 2021 AD:

Member	Meeting Number and Date			
	Meeting No. 98 2021/03/03	Meeting No. 99 2021/05/02	Meeting No. 100 2021/08/11	Meeting No. 101 2021/11/02
Mr. Tareq Bin Khalid Alangari	●	●	●	●
Mr. Ali Bin Soliman Al-Ayed	●	●	●	●
Mr. Turky Bin Abdulmohsen Al-Luhaid	●	●	●	●

● Attend ○ Exceuse



Results of the annual review of the effectiveness of the company's internal monitoring procedures:

The company's internal audit department carries out continuous audits to verify the effectiveness of the internal monitoring system and procedures in protecting the company's assets, evaluating work risks and measuring the efficiency of performance, and the aforementioned audits did not show a fundamental weakness in the company's internal monitoring system. On the other hand, the external auditor performs an evaluation process for this system as part of his review of the company's final financial statements, where the company enables him to view all the minutes of the audit committee's meetings, the reports of the internal audit department for the fiscal period / year and all the required documents.

The audit committee's opinion on the adequacy of the internal monitoring system:

The audit committee's evaluation of the company's internal and financial monitoring systems did not show any fundamental weakness, with the exception of some non-essential observations that were reported in the various audit reports, and the internal audit department agreed with the concerned departments to implement its corrective actions.

On the other hand, the external auditor usually performs an evaluation process for this system as part of his review of the company's annual financial statements, where the company enables him to view all systems, policies, procedures, minutes of audit committee meetings, and reports of the internal audit department for the fiscal period / year under examination.



3- The Nominations and Remunerations Committee:

It is a committee emanating from the company's Board of Directors, and it consists of (3) three members appointed by the Board of Directors, and the term of their membership is determined so that this period does not exceed the term of membership in the Bboard of Directors.

S	Member	Membership Status
1	Mr. Abdulrahman Bin Rashed Albluwe	Committee Chairman
2	Mr. Wafi Bin Nafe Alshakhs	Committee Member
3	Mr. Abdulaziz Bin Saleh Alshathri	Committee Member

Duties and Responsibilities of the Nominations and Remuneration Committee:

The Nomination and Remuneration Committee shall assume all tasks and responsibilities that fall within the scope of its purposes and any other tasks and responsibilities assigned to it by the Board of Directors, in particular the following:

1. Recommending the Board of Directors to nominate for membership in the Board or its affiliated committees in accordance with the approved policies and standards.
2. The committee must take into account many factors when evaluating members nominated for membership in the Board of Directors or committees, such as integrity, credibility, responsibility, availability of necessary expertise, independence and leadership capacity.
3. Annual review of the required needs of the appropriate skills for membership of the Board of Directors and re-description of the capabilities and qualifications required for membership of the Board of Directors, including determining the time required by the member for the work of the Board of Directors.
4. Reviewing the structure of the Board of Directors and making recommendations regarding changes that can be made.
5. Ensuring on an annual basis the independence of the independent members and ensuring that there is no conflict of interest if the member is a member of the board of directors of another company.
6. Developing clear policies for the compensation and remuneration of the members of the Board of Directors and the senior executives, bearing in mind that these policies are set in accordance with standards related to performance.
7. Ensuring that there is an introduction program for new members of the Board of Directors or its affiliated committees.
8. Carrying out an annual evaluation of the performance of the Board and the performance of the members according to specific models approved by the Board of Directors based on the proposal of the Committee, and independent third parties can be sought whenever the need arises.

Determining the necessary criteria for the annual evaluation of the Chief Executive Officer (CEO) of the company and conducting an annual evaluation of the performance of the CEO of the company.

Member	Meeting Number and Date	
	Meeting No. 29 23/03/2021	Meeting No. 30 14/12/2021
Mr. Abdulrahman Bin Rashed Albluwe	●	●
Mr. Wafi Bin Nafe Alshakhs	●	●
Mr. Abdulaziz Bin Saleh Alshathri	●	●

● Attend ○ Excuse

4- The Governance Committee:

It is a committee emanating from the company's Board of Directors, and it consists of (4) four members appointed by the Board of Directors, and the term of their membership is determined so that this period does not exceed the term of membership in the Board of Directors.

Members of the Governance Committee

S	Member	Membership Status
1	Mr. Abdel Aziz Bin Abdel Rahman Alkhamees	Committee Chairman
2	Mr. Saud Bin Soliman Al-Jehani	Committee Member
3	Mr. Tareq Bin Khalid Alangari	Committee Member
4	Mr. Abdulrahman Bin Rashed Albluwe	Committee Member

Duties and Responsibilities of the Governance Committee:

The Governance Committee shall assume all tasks and responsibilities that fall within the scope of its purposes and any other tasks and responsibilities referred to it by the Board of Directors, in particular the following:

1. Setting corporate governance rules for the company (the Governance Regulations), reviewing and updating its rules in accordance with the regulatory requirements and best practices, and verifying the company's compliance with those rules.
2. Reviewing the corporate governance regulations issued by the Capital Market Authority and ensuring that the company's regulations comply with them, and keeping the members of the Board of Directors always informed of developments in the field of governance of corporates and best practices thereof.
3. Reviewing and developing the rules of professional conduct that represent the values of Tabuk Cement Company, and other internal procedures to meet the needs of the company.
4. Ensuring that all the company's written and approved policies and procedures are compatible with the applicable compliance rules, updating the compliance policies and procedures, and reviewing the company's management reports sent to the monitoring authorities.
5. Identifying and evaluating the main risks facing the company, supervising the company's risk management system, and evaluating its effectiveness with the development of mechanisms and measurement, to follow up on the risks that the company may be exposed to.
6. Developing a comprehensive risk management strategy and policies in proportion to the nature and size of the company's activities, and verifying

their implementation, reviewing and updating them based on the company's internal and external variables.

7. Determining and maintaining an acceptable level of risks to which the company may be exposed, verifying that the company does not exceed them, and conducting endurance tests, in order to restore the company's ability to bear risks if it is exposed to it on a regular basis.
8. Verifying the feasibility of the company's continuity, and the successful persistence of its activity, with identification of the risks that threaten its continuity during the next twelve months.
9. Preparing detailed reports on the company's exposure to risks and the proposed steps to manage these risks, and submitting them to the Board of Directors.
10. Working to ensure the availability of adequate resources and systems for risk management and making recommendations to the Board of Directors on issues related to risk management.
11. Reviewing the organizational structure of risk management, and making recommendations in this regard, before being approved by the Board of Directors, and verifying the independence of risk management staff from activities that may result in exposing the company to risks.
12. Reviewing the issues raised by the Audit Committee that may affect risk management in the company

Table of Attendance of the meetings of the Governance Committee by the members, for the year 2021 AD:

Member	Meeting Number and Date
	Meeting No. 03 2021/12/30
Mr. Abdel Aziz Bin Abdel Rahman Alkhamees	●
Mr. Saud Bin Soliman Al-Jehani	●
Mr. Tareq Bin Khalid Alangari	●
Mr. Abdulrahman Bin Rashed Albluwe	●

● Attend ○ Excuse

Fourth: Dealing with the Related Parties

The company confirms that during the fiscal year 2021 AD, no contracts, deals or transactions were concluded in which Tabuk Cement was a party and in which there was an interest for any of the members of the Board of Directors or any of the committee members outside the Board of Directors, the Chief Executive Officer (CEO), the financial manager or any of the senior executives of the company or with any person related to any of them.

Fifth: The Results of Governance Practices during the year 2021 AD.

The Board of Directors was keen to establish an effective governance system and to consider it an integral part of the company's administrative and financial system. The system of governance organizes the internal work by clarifying the relationship between the Board of Directors and the shareholders' assembly on the one hand, and the board of directors and the executive management on the other hand. The governance system also regulates the external business by managing its relations with the government sectors, legislative bodies, suppliers and contractors in order to achieve high efficiency and effectiveness to ensure the achievement of the company's strategic and operational goals. The company is keen on the comprehensiveness of the regulations and work rules related to transparency, responsibility, justice, and independence, in order to comply with the provisions of the Companies Law issued by the Ministry of Commerce, the Corporate Governance Regulations issued by the Board of Directors of the Capital Market Authority, and other relevant regulations and legislation in force in the Kingdom of Saudi Arabia. With keenness to benefit from the best local and international practices applied in this field.

The company has won the Excellence Award in the Corporate Governance Index for companies listed on the Saudi Stock Exchange from the Corporate Governance Center at Al-Faisal University, and this comes as a result of the company's commitment to applying the best practices of good governance.

The company also signed a contract with a specialized company to study its regulations and policies and to create risk records for all company departments.

The following table shows the developments in the company's application of the guiding articles (to be sent to you later).

Article No.	Text of the Article or paragraph	Reasons and Details
Article 72: Meetings of the Risk Management Committee (guidance article)	The Risk Management Committee meets at least every six months, and whenever the need arises	The Governance Committee was formed, and the Governance Committee performs the functions of the Risk Management Committee
Article 85: Motivating employees (guidance article)	Forming committees or holding specialized workshops to listen to the opinions of the company's employees and discuss with them the issues and topics that are the subject of important decisions Programs for granting employees shares in the company or a share of the achieved profits, retirement programs, and establishing an independent fund to spend on those programs Establishment of social institutions for the company's employees	Although the article is guiding, the company is keen to provide a safe and healthy work environment for all its employees and is constantly studying ways to raise the degree of loyalty by intensifying incentive programs in the coming years
Article 87 Social Responsibility (guidance article)	The Ordinary General Assembly - based on a proposal from the Board of Directors - sets a policy that ensures a balance between its goals and the goals that society seeks to achieve, in order to develop the social and economic conditions of the society	The company's efforts in the field of social responsibility are disclosed in the annual report of the Board of Directors, there is a special work team to supervise and implement these programs and initiatives, and the Board will present this matter to the Assembly whenever it deems it necessary
Article 88 Social Work Initiatives (guidance article)	Establish measurement indicators that link the company's performance with the initiatives it offers in social work, and compare that with other companies of similar activity Develop community awareness programs to define the company's social responsibility	

Sixth: Shareholders' Rights and the General Assembly

The By-Law of Tabuk Cement Company and its governance system guarantee the shareholder several points, if all the rights related to the share are confirmed to the shareholders:

1. The right to receive part of the profits that is decided to be distributed.
2. The right to obtain part of the company's assets upon liquidation.
3. The right to attend shareholder assemblies, participate in their deliberations, and vote on their decisions.
4. The right to dispose of shares, monitor the work of the Board of Directors, and file a liability claim against members of the Board.
5. The right to inquire and request information in a manner that does not harm the interests of the company and does not conflict with the Capital Market Law and its implementing regulations.
6. The company allows the largest number of its shareholders to participate in the general assembly meeting, and is keen to choose the appropriate time and place for holding it. In addition, it adopts a remote voting system to make it easier for its shareholders to exercise the right to vote.

The By-Law of Tabuk Cement Company and its governance system also stipulate the provisions related to the general assembly of shareholders, which include the following procedures and precautions:

1. Ensuring that all shareholders exercise their statutory rights, and the general assembly is the supreme authority in the company.
2. Exclusive powers include appointing and relieving the members of the Board of Directors.
3. Monitoring the work of the Board of Directors and the right to inquire and request information in a manner that does not harm the interests of the company and does not conflict with the Capital Market Law and its implementing regulations.
4. Approving the consolidated financial statements, appointing the auditor and determining his fees, approving the distribution of profits recommended by the Board of Directors, increasing or decreasing the company's capital, and amending the company's articles of association.

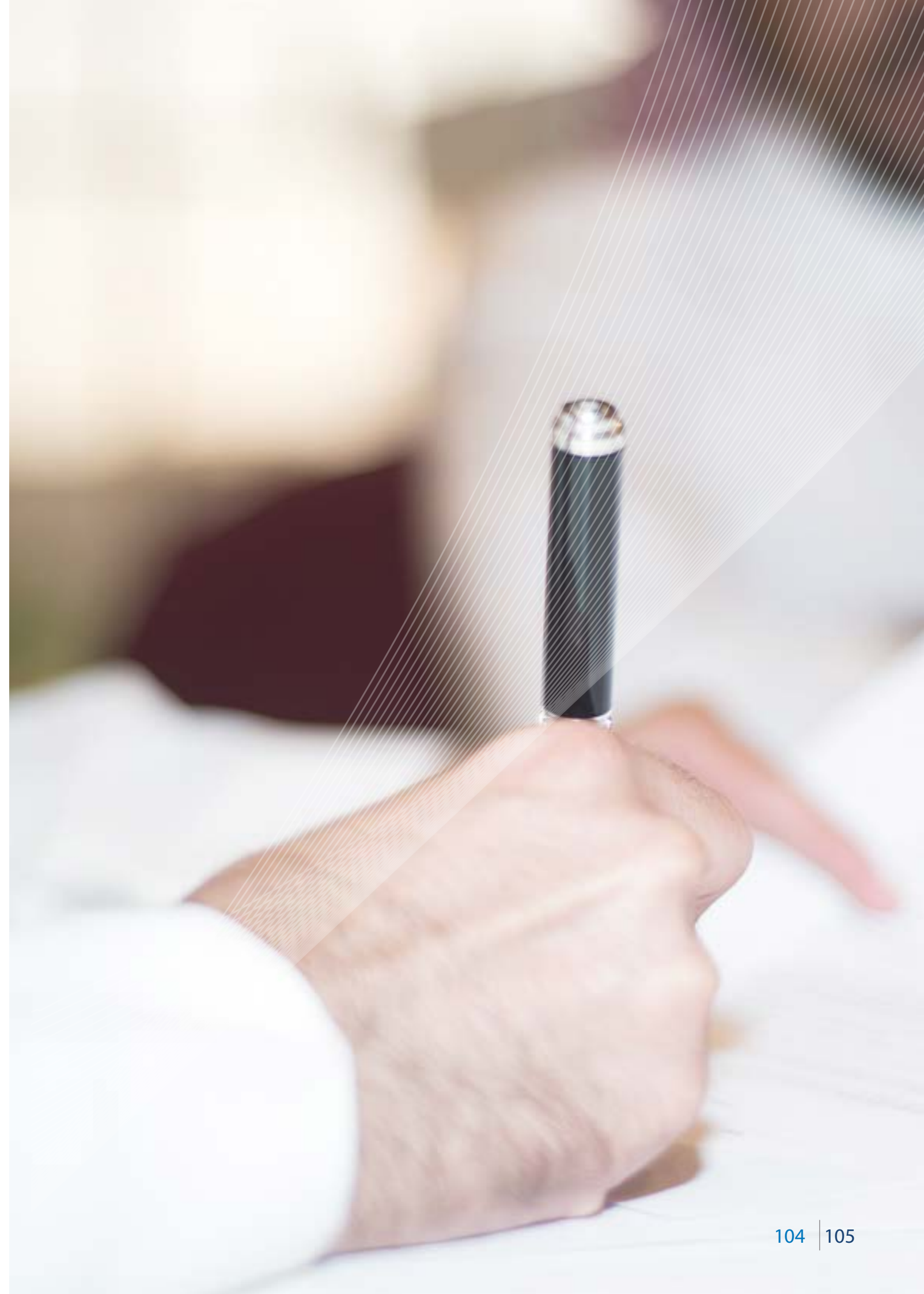
Seventh: Disclosure and Transparency Policies

Being aware of the rights of shareholders and investor relations, and in order to enhance its relationship with its shareholders and all its investors and stakeholders, and in order to preserve their rights, and being aware in the importance of corporate governance that aims to protect shareholders' rights and enhance internal monitoring through activating the role of the Board of Directors and its committees and adhering to the principle of disclosure and transparency, Tabuk Cement Company continued, during the year 2021 AD, its commitment to the corporate governance regulations issued by the Saudi Capital Market Authority and other related regulations.

Accordingly, Tabuk Cement Company does the following:

1. Its statutory disclosures are not limited to the company's performance and financial results, but the disclosure extends to all information that may be of interest to the company's shareholders, the public of investors and stakeholders, and what is required by relevant regulations and good international practices adopted by the company in the field of governance and transparency.
2. Including shareholders' rights in the company's Articles of Association and governance guide.
3. Enabling shareholders and investors to obtain information, as the company publishes financial reports, announcements and material news through the Tadawul website, daily newspapers, and the annual report of its Board of Directors.
4. Creating a special department in the company to follow up on shareholders' affairs and respond to their inquiries related to un-received profits or other matters.

The number of the company's requests to the shareholders register	The date of application	Reasons for the request
1	07/01/2021	Company procedures
2	31/03/2021	Company procedures
3	07/04/2021	Company procedures
4	08/09/2021	Company procedures
5	29/12/2021	Company procedures





Eighth: Declarations of the Board of Directors

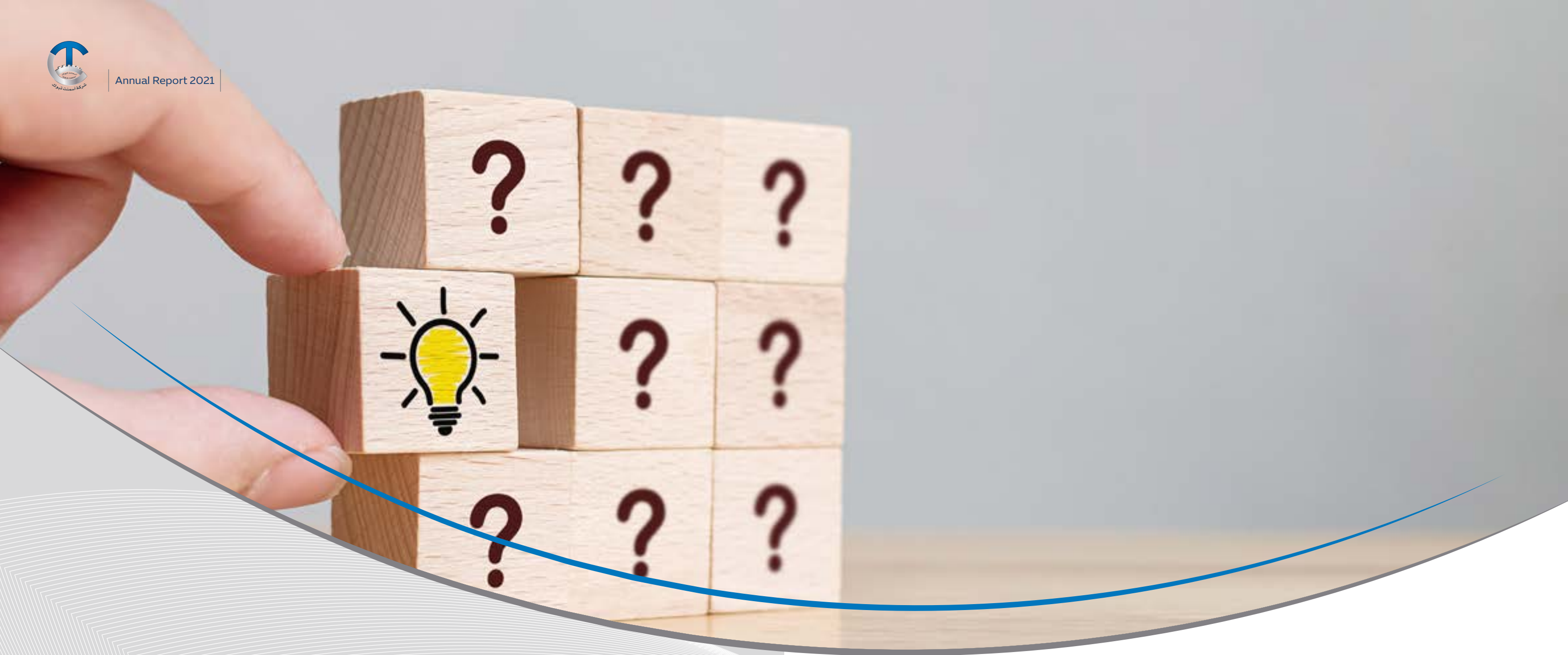
The Board of Directors of Tabuk Cement Company acknowledges the following:

1. That the account records are properly prepared.
2. The internal m system was prepared on sound foundations and implemented effectively.
3. There is no doubt about the company's ability to continue its activities.
4. There are no Sanctions, penalties or precautionary restrictions imposed on the company by the Capital Market Authority or any other supervisory, regulatory or judicial authority.
5. The company's financial statements have been prepared in accordance with the accounting standards issued by the Saudi Organization for Chartered Accountants, and in accordance with the relevant requirements of the Companies Law and the Company's Articles of Association regarding the preparation and publication of financial statements.
6. There are no shares or debt instruments issued to a subsidiary company, as the company does not own a subsidiary.
7. The company has no treasury shares held during the year 2021 AD.
8. The company is committed to protecting the rights of shareholders, not to discriminate between shareholders who own the same class of shares, and not to withhold any right from them, in order to ensure fair treatment of all shareholders.
9. The company has not instituted any action that may impede the shareholder's use of his right to vote.
10. The company did not provide any cash loan of any kind to any of its board members, nor did it guarantee any loan contracted by a member of its board of directors with third parties.
11. There is no interest in the class of voting shares that belongs to persons (other than members of the Board of Directors, senior executives and their relatives) who have informed the company of these rights during the year 2021G.
12. The company does not have convertible debt instruments and any contractual securities, memoranda of subscription right, or similar rights issued or granted by the company during the year 2021 AD.
13. There are no transfer or subscription rights under convertible debt instruments, contractual securities, subscription right memoranda, or similar rights issued or granted by the company during the year 2021 AD.
14. The Company does not have any refund, purchase or cancellation of any redeemable debt instruments.
15. There are no recommendations from the Audit Committee that conflict between them and the decisions of the Board of Directors, or that the Board refused to take regarding the appointment and dismissal of the company's auditor, determining his fees, and evaluating the internal auditor.
16. During the fiscal year 2021 AD, the company's external auditor did not provide any services of an advisory nature to the company and did not receive any fees in this regard.
17. The company did not receive from the auditor a request to convene the General Assembly during the ended fiscal year, and it was not held.
18. There are no material subsequent events affecting the safety of the company's financial position and the results of its operations that occurred after the end of the year and were not clarified, other than what is included in this report.
19. The Board of Directors acknowledges that there is a loan on the company in favor of Albilad Bank.
20. There are no debt instruments convertible into shares, there are no option rights or memoranda of subscription right, and no similar rights have been issued during the fiscal year.
21. There are no subsidiaries of the company inside or outside the Kingdom.
22. There is no interest or option rights for the members of the company's board of directors and senior executives, their spouses, their minor children, their fathers, mothers, and their relatives in shares or debt instruments.
23. There are no convertible debt instruments and no redeemable debt instruments.
24. There is no arrangement or agreement under which a shareholder of the Company has waived any rights to dividends.
25. There are no investments or other reserves established for the benefit of the Company's employees.



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Ninth:
Concluding Word



Concluding Word

At the conclusion of our report, the Chairman and members of the Board of Directors of the company are pleased to extend their sincere thanks and appreciation to the Ministry of Commerce, all relevant government departments and the Capital Market Authority for their continuous support and cooperation with the company, which had a significant impact on the company's progress and prosperity, and to the company's valued shareholders for their support and trust, and to all the employees of the company for their fruitful efforts during the past year.

Board of Directors



10

Tenth: Financial Statements



TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

FINANCIAL STATEMENTS

For the year ended 31 December 2021

INDEPENDENT AUDITOR'S REPORT



KPMG Professional Services

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

Headquarters in Riyadh

كي بي ام جي للاستشارات المهنية

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

Independent Auditor's Report

To Shareholders of Tabuk Cement Company
Saudi Joint Stock Company

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 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising 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 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

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

كي بي ام جي للاستشارات المهنية شركة مساهمة مغلقة مسجلة في المملكة العربية السعودية رأس ماله (25,000,000) ريال سعودي مطروح مساهمة "كوبى كى بي ام جي القوزان وشركاه المحاسبين" سابقا، وهي شركة مساهمة مغلقة وسجلت في المملكة العربية السعودية، وهي شركة غير شريكة في كيان كى بي ام جي للاستشارات المهنية للشركات كي بي ام جي العالمية، وهي شركة خاصة بالحدود، شركة كيانها مسجلة في المملكة العربية السعودية، جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.



Independent Auditor's Report (continued)

To the Shareholders of Tabuk Cement Company
Saudi Joint Stock Company

Revenue recognition

Referring to Note (5) for the accounting policy of the revenue realization and Note (22) for the disclosure of contracts with customers.

Key audit matter	How the matter was addressed in our audit
<p>During the year ended 31 December 2021, revenue from sales amounting to SR 228.5 million was recognized.</p> <p>Revenue from sales is recognized when a customer obtains controls of the goods and this is done upon acceptance and delivery of the goods to the customer and issuance of a sales invoice in accordance with the requirements of IFRS 15, Revenue from contracts from clients.</p> <p>Revenue is one of the significant indicators for measuring performance, and consequently, there are inherent risks through recognising revenue with more than its actual value in order to increase profitability. Therefore, the revenue recognition process has been considered as a key audit matter.</p>	<p>The auditing procedures we performed in relation to revenue from sales included, among other procedures, the following:</p> <ul style="list-style-type: none"> - Evaluating the appropriateness of the Company's accounting policies related to recognition of revenue from sales, including those related to discounts and incentives, as well as assessing compliance with the requirements of applicable accounting standards. - Test the design and implementation of the internal control procedures related to revenue recognition and its operational efficiency, including anti-fraud control procedures. - Performed analytical audit of the revenue by comparing the volume of sales and prices monthly during the current year with the previous year and determine whether there are any significant trends or fluctuations that need to be further examined in the light of our understanding of current market conditions. - We examined Based on the sample base the revenues recorded with the supporting documents to verify revenues is recorded in their correct periods.



Independent Auditor's Report (continued)

To the Shareholders of Tabuk Cement Company
Saudi Joint Stock Company

Impairment of Spare parts inventory

With reference to Note (4) regarding the use of judgments and estimates in respect of the impairment of inventories, as well as Note (11) regarding disclosure of inventories.

Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2021, the book value of spare parts inventory amounted to SR 87.8 million, which is kept for periods that may exceed one financial year and this may impact the evaluation of the spare parts, which includes the use of judgments in estimating provisions for spare parts inventory.</p> <p>The use of judgments is required to assess the appropriate level of provisions for the spare parts inventory items that may be damaged or sold for less than their cost if the damaged and slow-moving quantity is determined. These judgments include the management's expectations regarding the future use of these spare parts or plans to exclude or sell them.</p> <p>Due to the significance of the spare parts provision and related estimates, this was considered a key audit matter.</p>	<p>Our audit procedures, which are related to the verification the appropriateness of the recorded provision against the spare parts inventory, included, among other procedures, the following:</p> <ul style="list-style-type: none"> - Discussion with the management the key assumptions were used in estimating the provision. - Verify the reasonableness of the assumptions used by management in calculating the provision on sample basis. - Obtain an authorised report from the financial management and technical management of the Company that includes the statement of stagnant inventory and the extent of spare parts' validity for use and the adequacy of the provision made for the stagnant inventory in the Company's books. - Observe the spare parts inventory counting works at the end of the year to monitor and understand the Company's procedures in identifying damaged spare parts stock. - Evaluate the design, implementation, and operational effectiveness of relevant controls applied in the inventory measurement process.



Independent Auditor's Report (continued)

To Shareholders of Tabuk Cement Company
Saudi Joint Stock Company

Other matter

The financial statements of the Company for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 4 March 2021.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulation for Companies, Company's By-Laws 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 separate 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, Board of Directors, are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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



Independent Auditor's Report (continued)

To Shareholders of Tabuk Cement Company
Saudi Joint Stock Company

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

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

For KPMG Professional Services

Nasser Ahmed Al Shutairy
License No. #54

Jeddah, 27 March 2022
Corresponding to 24 Shaban 1443H



TABUK CEMENT COMPANY (Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(Expressed in Saudi Arabian Riyals)

	Note	31 December 2021	31 December 2020
Assets			
Property, plant and equipment	6	1,007,993,279	1,065,784,188
Investment properties	7	72,279,440	77,464,847
Equity investments at Fair Value through Other Comprehensive Income (FVOCI)	8	283,140,949	281,288,274
Intangible assets	9	4,762,692	5,043,683
Right-to-use asset	10	1,705,654	3,566,366
Non-current assets		1,369,882,014	1,433,147,358
Inventories	11	292,949,241	285,063,097
Trade receivables	12	7,977,607	6,042,352
Prepayments and other receivables	13	11,240,423	8,571,537
Cash and cash equivalents	14	48,082,531	40,693,362
Current assets		360,249,802	340,370,348
Total assets		1,730,131,816	1,773,517,706
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	1	900,000,000	900,000,000
Statutory reserve	15	229,521,378	227,745,646
Other reserves		113,792,199	111,939,524
Retained earnings		24,133,876	9,342,586
Total equity		1,267,447,453	1,249,027,756
Liabilities			
Loans	16	210,212,689	252,000,653
Employees' defined benefit obligation	17	15,923,026	14,216,404
Non-current portion of lease commitments	10	--	1,772,419
Non-current liabilities		226,135,715	267,989,476
Loans	16	63,470,883	63,470,883
Current portion of lease commitments	10	1,772,419	1,881,295
Accrued expenses and other payables	18	26,892,160	49,193,397
Trade payables		16,376,937	10,104,264
Dividend Obligations	19	121,079,857	121,694,374
Zakat provision	20	6,956,392	10,156,261
Current liabilities		236,548,648	256,500,474
Total liabilities		462,684,363	524,489,950
Total shareholders' equity and liabilities		1,730,131,816	1,773,517,706

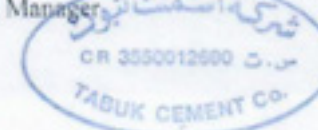
The accompanying notes 1 to 33 of these financial statements.

These financial statements were approved by the Board of Directors on 22 March 2022, corresponding to 19 Sha'ban 1443H and are signed on behalf by:

Mansour Ibrahim Al-Habdan
Financial Manager

Ali bin Mohamed Al-Qahtani
CEO

Tariq bin Khaled Al-Anqari
(Authorized) BOD Member



TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

(Expressed in Saudi Arabian Riyals)

	Note	For the year ended 31 december	
		2021	2020
Revenues	22	228,529,275	276,454,772
Cost of sales	22	(179,919,725)	(208,207,773)
Gross profit		48,609,550	68,246,999
Selling and distribution expenses	23	(3,046,032)	(2,951,585)
General and administrative expenses	24	(21,652,001)	(20,354,578)
Other income	25	10,899,132	8,175,384
Operating income		34,810,649	53,116,220
Financial charges	29	(6,192,117)	(11,220,803)
Effect of financial liability cash flows adjustment	16	(5,815,199)	17,750,601
Profit before zakat		22,803,333	59,646,018
Zakat	20	(5,046,012)	(8,070,246)
Profit for the year		17,757,321	51,575,772
Other Comprehensive income			
<i>Items that will not be reclassified under profit or loss:</i>			
Unrealized gains on investments in equity instruments at FVOCI	8	1,852,675	10,330,274
Remeasurement of employees' defined benefits obligation	17	(1,190,299)	(372,563)
Total other comprehensive income		18,419,697	61,533,483
Earnings per share to income for the year (SR):			
Basic and diluted	21	0.197	0.573

The accompanying notes 1 to 33 of these financial statements.

These financial statements were approved by the Board of Directors on 22 March 2022, corresponding to 19 Sha'ban 1443H and are signed on behalf by:

Mansour Ibrahim Al-Habdan Financial Manager	Ali bin Mohamed Al-Qahtani CEO	Tariq bin Khaled Al-Anqari (Authorized) BOD Member


TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

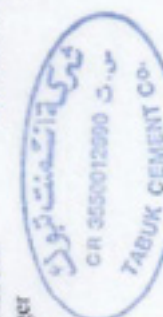
(Expressed in Saudi Arabian Riyals)

	Note	Share Capital	Statutory reserve	Other reserves	Retained earnings / (Accumulated losses)	Total
Balance at 1 January 2020		900,000,000	222,588,069	101,609,250	(36,703,046)	1,187,494,273
Profit for the year		-	-	-	51,575,772	51,575,772
Other comprehensive income		-	-	10,330,274	(372,563)	9,957,711
Total comprehensive income for the year		-	-	10,330,274	51,203,209	61,533,483
Transferred to statutory reserve	15	-	5,157,577	-	(5,157,577)	-
Balance at 31 December 2020		900,000,000	227,745,646	111,939,524	9,342,586	1,249,027,756
Balance at 1 January 2021		900,000,000	227,745,646	111,939,524	9,342,586	1,249,027,756
Profit for the year		-	-	-	17,757,321	17,757,321
Other comprehensive income		-	-	1,852,675	(1,190,299)	662,376
Total comprehensive income for the year		-	-	1,852,675	16,567,022	18,419,697
Transferred to statutory reserve	15	-	1,775,732	-	(1,775,732)	-
Balance at 31 December 2021		900,000,000	229,521,378	113,792,199	24,133,876	1,267,447,453

The accompanying notes 1 to 33 of these financial statements.

These financial statements were approved by the Board of Directors on 22 March 2022, corresponding to 19 Sha'ban 1443H and are signed on behalf by:

Mansour Ibrahim Al-Habdan Financial Manager	Ali bin Mohamed Al-Qahtani CEO	Tariq bin Khaled Al-Anqari (Authorized) BOD Member



TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS

 For the year ended 31 December 2021
 (Expressed in Saudi Arabian Riyals)

	Note	For the year ended 31 december	
		2021	2020
Profit for the year before zakat		22,803,333	59,646,018
<i>Adjustments:</i>			
Depreciation on property, plant and equipment	6	58,194,221	70,108,144
Amortization on intangibles assets	9	556,295	556,295
Allowance for slow moving inventory items	11	604,915	--
Depreciation of right-of-use	10	1,860,712	1,690,464
Effect of financial liability cash flows adjustment	16	5,815,199	(17,750,601)
Gain on disposal of real estate investments	25	(10,014,593)	(7,679,759)
Financial charges	29	6,192,117	11,220,803
Reverse of impairment of trade receivables	12	(57,448)	(128,322)
Employee defined benefit obligation charge for the year	17	1,920,546	1,453,385
		<u>87,875,297</u>	<u>119,116,427</u>
Changes in working capital:			
Trade receivables		(1,877,807)	1,976,086
Prepayments and other debit balances		(2,668,886)	(3,849,100)
Inventories		(8,491,059)	14,598,220
Trade payables		16,943,084	(3,790,450)
Accrued expenses and other current		(22,301,237)	(7,956,059)
Zakat paid	20	(8,245,881)	(1,932,915)
Employees defined benefit obligations - paid	17	(1,404,223)	(4,461,589)
Net cash provided by operating activities		<u>59,829,288</u>	<u>113,700,620</u>
INVESTING ACTIVITIES			
Additions of property, plant and equipment	6	(11,073,723)	(8,649,194)
Additions to intangible assets	9	(275,304)	(1,394,544)
Proceeds from sale of investment properties		15,200,000	10,096,049
Net cash provided by investing activities		<u>3,850,973</u>	<u>52,311</u>
FINANCING ACTIVITIES			
Paid from loans	16	(47,603,163)	(71,404,744)
Payment of lease obligations		(1,881,295)	(1,928,423)
Financial charges paid		(6,192,117)	(10,888,932)
Dividends distributed	19	(614,517)	(2,942,171)
Net cash used in financing activities		<u>(56,291,092)</u>	<u>(87,164,270)</u>
Change in cash and cash equivalents during the year		7,389,169	26,588,661
Cash and cash equivalents at beginning of the year		40,693,362	14,104,701
Cash and cash equivalents at the end of the year		<u>48,082,531</u>	<u>40,693,362</u>
Supplemental non-cash information:			
Property, plant and equipment settled	6 e	10,670,411	--
Change in investment reserves in equity instruments at FVOCI		1,852,675	10,330,274

The accompanying notes 1 to 33 of these financial statements.

These financial statements were approved by the Board of Directors on 22 March 2022, corresponding to 19 Sha'ban 1443H and are signed on behalf by:

 Mansour Ibrahim Al-Habdan
 Financial Manager

 Ali bin Mohamed Al-Qahtani
 CEO

 Tariq bin Khaled Al-Anqari
 (Authorized) BOD Member

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

 For the year ended 31 December 2021
 Expressed in Saudi Arabian Riyals

1. CORPORATE INFORMATION

Tabuk Cement Company (the Company) is a Saudi joint stock company established under the regulations for companies in the Kingdom of Saudi Arabia issued by Royal Decree No. (M/6) dated 30 Jumada Thani 1405H (corresponding to 22 March 1985). The Company is registered in the city of Tabuk under Commercial Registration No. 3550012690 on 25 Saffar 1415H (corresponding to 2 August 1994).

The main activity of the Company is as follows:

1. manufacture of ordinary and sulfur-resistant Portland cement and Portland cement for industrial purposes and cement derivatives and accessories, trading of such products and performing all related and complementary works for such purposes.
2. establish factories and laboratories related to sub and complementary industries of cement production like building materials and others that would achieve its purposes, after obtaining the necessary licenses from the concerned authorities.
3. import and export of cement and related products.

In order to achieve its objectives, the Company may own real estate, land, and scientific research laboratories to improve products and their new types. The Company practices its activities in accordance with the applicable regulations and after obtaining the necessary licenses from the concerned authorities, if any.

The Company operates under industrial license No. 421102107153 issued on 14 Muharram 1442H (corresponding to 1 October 2020) which expires on 16 Rabi' Al-Awwal 1445H (corresponding to 1 October 2023).

As at 31 December 2021, the authorized, subscribed and fully paid up share capital 900 million (2020: SR 900 million) divided into 90 million ordinary shares (2020: 90 million shares) of SR 10 each (2020: SR 10).

The registered address of the Company is:
 TCC Building, Al-Dhabab area, north of Dhaba city
 Beside Dhaba port, near Dhaba sea port, PO Box 122
 Tabuk 71451, Kingdom of Saudi Arabia

The Company's shares are listed in the Capital Market Authority in the Kingdom of Saudi Arabia. The Parent Company is owned by 12.37% to major shareholders, while 87.63% is owned by other shareholders as at 31 December 2021 (31 December 2020: 15.72% by major shareholders and 84.28% by other shareholders).

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
Expressed in Saudi Arabian Riyals

2. BASIS OF PREPERATION

a) Statement of compliance

The accompanying Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") (hereafter referred to as "IFRS as endorsed in KSA").

b) Basis of measurement

The accompanying financial statements are prepared on the historical cost basis, except for the defined benefit obligation is measured at the present value of future obligations using the projected unit credit method and investments that are measured at fair value in the statement of other comprehensive income and using the accrual basis of accounting and the going concern concept.

Certain comparative amounts have been reclassified to conform to current period presentation.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements have been presented in Saudi Arabian Riyals (SR) which is also the Company's presentation and functional currency. All amounts have been rounded off to the nearest Riyal.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

Measurement of employee benefits obligation

The Company's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value. The calculation is performed annually by a qualified actuary using the projected unit credit method. Judgments are used in estimating the actuarial assumptions. Key assumptions are disclosed in Note (17).

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
Expressed in Saudi Arabian Riyals

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment for inventory

Management estimates the impairment to reduce the inventory to its net realizable value if the cost of the inventory is not recoverable or the inventory is damaged or become an obsolete in whole or in part, or if the selling price is lower than cost or any other factors that cause the net realizable value to become less than the carrying amount. Management valuation of net realizable value is based on the most reliable evidence at the time the estimates are used.

These estimates take into account fluctuations in prices or costs directly attributable to events occurring after the date of the financial statements to the extent that they confirm that the circumstances of such events exist as at end of the financial period.

Going Concern

At the beginning of the financial year 2020, the Corona pandemic (Covid - 19) swept the world, causing disturbances in the economic and commercial sectors in general, and the Company's management has proactively assessed its impacts on its operations and has taken a series of preventive measures to ensure the health and safety of its employees and workers. Despite these challenges, the Company's business and operations are currently still largely unaffected. The primary demand from customers for the Company's products has not been affected to a large extent, although there is a decrease in demand in certain periods during the year. Based on these factors, the Company's management believes that the Covid-19 pandemic did not have a material impact on the financial results that were reported for the period ending 31 December 2021. The Company continues to closely monitor the development of the pandemic even though the management at this time is not aware of any expected factors that may change the impact of the pandemic on the Company's operations during or after 2022. The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Company continues to prepare the financial statements on the going concern basis. The Company's management is currently monitoring the situation and the extent of its impact on the Company's operations, cash flows and financial position. The management believes, based on its assessment, that the Company has sufficient liquidity available to continue fulfilling its financial obligations in the foreseeable future as and when they fall due. Accounting policies applied by the Company are set out in note (5).

Impairment of trade receivables

The Company follows an expected credit loss ("ECL") model for the impairment of trade receivables, this requires the Company to take into consideration certain estimates for forward looking factors while calculating the probability of default.

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

 For the year ended 31 December 2021
 Expressed in Saudi Arabian Riyals

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)
Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or other CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

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

Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been calculated, net of depreciation or amortisation, if no impairment loss had been recognised.

Useful lives of property, plant and equipment

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

The depreciation rates of plant and equipment have been adjusted as of 1 January 2021, where the change in the depreciation method has been accounted for as a variable in an accounting estimate and the remaining book value of plant and equipment will be depreciated according to the new depreciation rates. The impact of this amendment amounted to SR 12.2 million as an impairment of depreciation during the year ended 31 December 2021 Compared to previous depreciation rates and the impact of this on the next five years as follows:

	2022	2023	Estimated		
			2024	2025	2026
Decrease in depreciation expense	12,209,318	12,209,318	12,209,318	12,209,318	12,209,318

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

 For the year ended 31 December 2021
 Expressed in Saudi Arabian Riyals

5. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been consistently applied by the Company when preparing the financial statements to all periods presented in these financial statements.

Foreign currencies
Transactions in foreign currencies

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

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

Revenues from contracts with customers

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

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

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

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

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

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

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

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

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)**NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2021
Expressed in Saudi Arabian Riyals**5. SIGNIFICANT ACCOUNTING POLICIES (continued)****Revenues from contracts with customers (continued)**

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

Sales of goods

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

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

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

Employee benefits**Defined employee benefit plans**

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

Evaluation methodology and key assumptions for the actuarial study

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

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

Actuarial gains and losses arising from adjustments and changes in actuarial assumptions are charged in equity in the statement of other comprehensive income in the period in which they arise.

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)**NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2021
Expressed in Saudi Arabian Riyals**5. SIGNIFICANT ACCOUNTING POLICIES (continued)****Employee benefits (continued)**

Defined benefit costs are classified as follows:

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

Short-term employee benefits

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

Retirement benefit costs

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

Finance income and finance costs

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

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in statement of profit or loss using the effective interest method. The financing charges resulting from leasing operations are classified within the operating activities in the statement of cash flows.

Zakat

Zakat charge is accounted for in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia.

Zakat is provided for the period ratably and charged separately in the statement of profit or loss. Zakat liabilities, if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized.

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

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

Expressed in Saudi Arabian Riyals

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Property, plant and equipment

Recognition and Measurement

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

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

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

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

Subsequent costs

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

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

Depreciation

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

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

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

Expressed in Saudi Arabian Riyals

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation (continued)

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

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

<u>Item</u>	<u>Years</u>
Buildings and constructions	50-7
Plant and equipment	3-25
Furniture and office equipment	5-20
Vehicles and heavy equipment	4-8

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

Projects in progress

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

Intangible assets

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

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

The estimated useful lives of intangible asset are as follows:

<u>Asset</u>	<u>Useful lives (Years)</u>
Software licenses	3

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
Expressed in Saudi Arabian Riyals

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are non-current assets held either to earn rental income or for capital appreciation or for both, as well as those held for undetermined future as investment properties. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Investment properties are depreciated on a straight line basis over the estimated useful life of the respective assets. No depreciation is charged on land and capital work-in-progress.

Investment properties are derecognized either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of profit or loss and other comprehensive income in the period of derecognition.

Expenses incurred for replacing component of investment properties items, which are accounted for separately are capitalized, and carrying value of replaced component is written off. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of the related investment properties. All other expenses are recognized in the statement of profit or loss and other comprehensive income when incurred.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

The Company determines at each reporting date whether there is any objective evidence that the investment properties are impaired. Whenever the carrying amount of an investment property exceeds their recoverable amount, an impairment loss is recognised in the statement of profit or loss and other comprehensive income. The recoverable amount is the higher of investment property's fair value less cost to sell and the value in use.

Reversal of impairment losses recognised in the prior years is recorded when there is an indication that the impairment losses recognised for the investment property no longer exist or have reduced.

Fair value measurement

The Company discloses the fair value of the non-financial assets such as investment properties as part of its financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the 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 or the most advantageous market must be accessible by the company.

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

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021
Expressed in Saudi Arabian Riyals

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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.

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

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

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

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. As at 31 December 2021 and 31 December 2020, there are no transfers between levels.

The carrying values and fair values of financial assets and liabilities including their fair value hierarchy are disclosed. It doesn't include information about fair value of financial assets and financial liabilities not measured at fair value if book value reasonably equals fair value in note (32).

Leases

a) Definition of a lease

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

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

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021
Expressed in Saudi Arabian Riyals

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

b) As a lessee

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

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

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

Financial instruments

Non-derivative financial instruments

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

Recognition of financial instruments

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

Derecognition

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

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

Classification of financial instruments

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

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

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

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021
Expressed in Saudi Arabian Riyals

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Non-derivative financial instruments (continued)

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

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

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

Financial assets are measured through other comprehensive income (investment in debt instruments) if the following two conditions are met:

- The asset is held within a business model whose objective is achieved through both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset arise on specified dates to cash flows that are merely payments of principal and interest on the amount of the asset outstanding.

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

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

Financial assets- subsequent measurement - profits or losses:

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

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)**NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2021
Expressed in Saudi Arabian Riyals**5. SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial instruments (continued)****Non-derivative financial instruments (continued)****Derivative financial instruments and hedge accounting**

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

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention for the Company to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

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

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

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

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

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

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

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)**NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2021
Expressed in Saudi Arabian Riyals**5. SIGNIFICANT ACCOUNTING POLICIES (continued)****Loans and receivables**

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

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

Cash and cash equivalents

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

Trade payables and accruals

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

Share capital

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

Impairment**Impairment of financial assets**

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

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

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

- 12-month ECL. These are ECLs that result from possible default events within the 12 months after the reporting date;
- Lifetime expected credit loss. These are ECLs that result from all possible default events over the expected life of a financial instrument.

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

Expressed in Saudi Arabian Riyals

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

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

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

The carrying amount of financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, it is recognized in profit or loss in the period of recovery.

Impairment of non-financial assets

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

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

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

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

Expressed in Saudi Arabian Riyals

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

An assessment is conducted at each reporting date to determine whether there is an evidence of impairment loss previously recorded or curtailed. If such indication exists, the Company estimates the asset's or CGU's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income.

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

Provisions

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

Expenses

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

Current / non-current classification

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

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

All other assets are classified as non-current.

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

Expressed in Saudi Arabian Riyals

5. SIGNIFICANT ACCOUNTING POLICIES (continued)
Current / non-current classification (continued)

A liability is classified as current when:

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

The Company classifies all other liabilities as non-current.

Segment information

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

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

Dividends

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

Contingent liabilities and contingent assets
Contingent liabilities

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with the control of the Company; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; all should be assessed at each statement of financial position date and disclosed in the Company's financial statements under contingent liabilities.

Contingent assets

All possible assets arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company should be assessed at each balance sheet date and are disclosed in the financial statements under contingent assets.

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

Expressed in Saudi Arabian Riyals

5. SIGNIFICANT ACCOUNTING POLICIES (continued)
Statutory reserve

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

According to the Company's articles of association, the general assembly may decide to form another reserve to the extent that it is in the interest of the Company.

New standards, interpretations and amendments adopted by the Company

The accounting policies adopted by the Company in preparing the financial statements are consistent with those followed in preparing the annual financial statements of the Company for the year ended 31 December 2020, and there are no new standards that were issued, however, there are a number of amendments to the standards which are effective as of 1 January 2021, which did not have a material impact on the financial statements.

Effective as of	Amendments to Standards
1 January 2021	Amendments to IFRS 9, IAS 39 and IFRS 16 and IFRS 4 - Phase II (Interest Rate Correction)
1 June 2020	COVID-19 Related Lease Concessions (amendment to IFRS 16)

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

Effective for annual periods Starting from or after	New standards or amendments
1 April 2021	COVID-19 Related Lease Concessions after June 30, 2021 (amendment to IFRS 16)
	Onerous contracts - Cost of contract completion (Amendments to IAS 37)
	Annual improvements to IFRS Standards 2018-2020
1 January 2022	Property, plant and equipment: Proceeds before Intended Use (Amendments to IAS 16)
	Reference to the conceptual framework (amendment to IFRS 3)
1 January 2023	Amendments to IAS 1 "Presentation of Financial Statements" on the classification of liabilities
	IFRS 17 - Insurance contracts and amendment to IFRS 17 - Insurance contracts
Available for optional adoption / effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

 For the year ended 31 December 2021
 Expressed in Saudi Arabian Riyals

6. PROPERTY, PLANT AND EQUIPMENT

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

	Note	Buildings and constructions	Vehicles and heavy equipment	Plant and equipment	Furniture and office equipment	Projects in progress	Total
Cost:							
Balance at 1 January 2021		492,252,195	63,951,359	1,800,672,151	35,142,172	4,412,689	2,396,430,566
Additions		--	1,884,626	5,093,115	1,866,308	2,229,674	11,073,723
Settlements	6-c	--	--	(10,670,411)	--	--	(10,670,411)
Balance at 31 December 2021		492,252,195	65,835,985	1,795,094,855	37,008,480	6,642,363	2,396,833,878
Accumulated depreciation and impairment:							
Balance at 1 January 2021		251,886,938	63,411,285	984,948,215	30,399,940	--	1,330,646,378
Depreciation charged during the year	6-c	6,540,733	587,061	49,663,214	1,403,213	--	58,194,221
Balance at 31 December 2021		258,427,671	63,998,346	1,034,611,429	31,803,153	--	1,388,840,599
Net book value:		233,824,524	1,837,639	760,483,426	5,205,327	6,642,363	1,007,993,279
At 31 December 2021							

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

 For the year ended 31 December 2021
 Expressed in Saudi Arabian Riyals

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Note	Buildings and constructions	Vehicles and heavy equipment	Plant and equipment	Furniture and office equipment	Projects in progress	Total
Cost:							
Balance at 1 January 2020		491,784,195	63,951,359	1,801,179,124	34,455,544	186,551	2,391,556,773
Additions		468,000	--	3,268,428	686,628	4,226,138	8,649,194
Balance at 31 December 2020		492,252,195	63,951,359	1,804,447,552	35,142,172	4,412,689	2,400,205,967
Accumulated depreciation and impairment:							
Balance at 1 January 2020		245,537,197	63,110,416	926,889,111	28,776,911	--	1,264,313,635
Depreciation charged during the year	6-c	6,349,741	300,869	61,834,505	1,623,029	--	70,108,144
Balance at 31 December 2020		251,886,938	63,411,285	988,723,616	30,399,940	--	1,334,421,779
Net book value:		240,365,257	540,074	815,723,936	4,742,232	4,412,689	1,065,784,188
At 31 December 2020							

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

 For the year ended 31 December 2021
 Expressed in Saudi Arabian Riyals

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Note	31 December 2021	31 December 2020
Cost of sales		56,660,218	68,306,459
General and administrative expenses	24	1,409,166	1,690,464
Selling and distribution expenses	23	124,837	111,221
		<u>58,194,221</u>	<u>70,108,144</u>

The buildings are built on a 30-year concession land from the Ministry of Petroleum and Mineral Resources, expiring on September 4, 2027.

d) The projects under implementation item represent the export cement warehouse project, the fire system maintenance project, and others.

e) On November 17, 2021, it was agreed to reduce the amount paid to the second line supplier related to the production process, and the impact of the reduction of assets on plant and equipment was SR 10.67 million.

7. INVESTMENT PROPERTIES

The following is the analysis of the movement in the investment properties represented in the lands owned by the Company as at 31 December:

	31 December 2021	31 December 2020
Balance at 1 January	77,464,847	79,881,137
Disposals	(5,185,407)	(2,416,290)
Balance at 31 December	<u>72,279,440</u>	<u>77,464,847</u>

The fair value of real estate investments represented in lands owned by the Company amounted to SR 86.7 million as at 31 December 2021 (31 December 2020: (SR 98.9 million). It has been determined based on the evaluation provided by Nojoom Al Salam Group, a certified independent real estate valuation expert (license number 1210000480). The fair value of the properties was determined based on the prevailing market prices for similar properties. These lands are held for a currently undetermined future use, therefore, they are classified as investment properties.

7.1 The fair value has been determined primarily on the basis of market practice, which reflects recent transaction prices for similar properties.

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

 For the year ended 31 December 2021
 Expressed in Saudi Arabian Riyals

7. INVESTMENT PROPERTIES (continued)

7.2 The company uses the following hierarchy for determining and disclosing the fair values of its investment properties by valuation techniques:

	Level 1	Level 2	Level 3	Total
31 December 2021	--	86,719,007	--	<u>86,719,007</u>
31 December 2020	--	98,909,922	--	<u>98,909,922</u>

During the year ended 31 December 2021, the Company sold a land owned by it in the district of government departments in Tabuk, with a value of SR 15.2 million, and a book value of SR 5.2 million (note 25).

8. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

At 31 December 2021, the Company owns 16,934,875 shares in the Industrialization and Energy Services Company (a closed Saudi joint stock company), equivalent to 3.387% of the total share capital (31 December 2020: 16,934,875 shares).

The nature of this Company's business is power generation, and the investment was recorded at fair value according to the market value method. The investment is pledged against the loan granted to the Company (Note 16).

	31 December 2021	31 December 2020
Balance at beginning of the year	281,288,274	270,958,000
Unrealized gains on investment revaluation at fair value through other comprehensive income	1,852,675	10,330,274
	<u>283,140,949</u>	<u>281,288,274</u>

9. INTANGIBLE ASSETS

The balance of intangible assets represents the Oracle licenses and programs, and their statement is as follows:

	2021	2020
Cost		
Balance at 1 January	5,924,484	4,529,940
Additions during the year	275,304	1,394,544
Balance at 31 December	<u>6,199,788</u>	<u>5,924,484</u>
Accumulated amortisation		
Balance at 1 January	880,801	324,506
Amortisation during the year	556,295	556,295
Balance at 31 December	<u>1,437,096</u>	<u>880,801</u>
Net book value	<u>4,762,692</u>	<u>5,043,683</u>

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

Expressed in Saudi Arabian Riyals

10. LEASES

- a) The right to use leased cars for the Company is presented in the statement of financial position as follows:

	2021	2020
Balance at 1 January	3,566,366	5,256,830
Depreciation during the year	<u>(1,860,712)</u>	<u>(1,690,464)</u>
Balance at 31 December	<u>1,705,654</u>	<u>3,566,366</u>

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

	31 December 2021	31 December 2020
Short-term obligation	1,772,419	1,881,295
Long term obligation	--	1,772,419
	<u>1,772,419</u>	<u>3,653,714</u>

The financing charges charged to the statement of profit or loss and other comprehensive income amounted to SR 171,321 during the financial year ended 31 December 2021 (31 December 2020: SR 169,764).

11. INVENTORIES

- a) Inventories as at 31 December comprise the following:

	31 December 2021	31 December 2020
Production under processing	167,146,302	178,228,989
Spare parts	87,805,156	82,088,111
Raw, filling and packaging materials	25,920,685	15,297,073
Finished goods	6,673,413	6,862,460
Goods in transit	6,008,599	2,586,464
	<u>293,554,156</u>	<u>285,063,097</u>
Less: Allowance for slow moving inventory items	11(a) <u>(604,915)</u>	<u>--</u>
	<u>292,949,241</u>	<u>285,063,097</u>

- b) Movement on provision for slow moving inventory during the year as follows:

	31 December 2021	31 December 2020
Balance at beginning of the year	--	--
Provided during the year	604,915	--
Balance at the end of the year	<u>604,915</u>	<u>--</u>

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

Expressed in Saudi Arabian Riyals

12. TRADE RECEIVABLES

- a) Trade receivables comprise the following:

	31 December 2021	31 December 2020
Trade receivables	8,112,621	6,234,814
Expected credit loss allowance	12(b) <u>(135,014)</u>	<u>(192,462)</u>
	<u>7,977,607</u>	<u>6,042,352</u>

- b) The movement in allowance for expected credit losses is as follows:

	31 December 2021	31 December 2020
Balance at beginning of the year	192,462	320,783
Reverse of provisions during the year	(57,448)	(128,321)
Balance at the end of the year	<u>135,014</u>	<u>192,462</u>

- c) Additional information related to the Company's exposure to credit and market risk is disclosed in note (30).

13. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables comprise of the following:

	31 December 2021	31 December 2020
Payments to suppliers	4,845,099	4,684,631
Refundable insurance fee	1,395,027	1,235,661
Value added tax	1,050,374	668,632
Prepaid expenses	1,351,321	174,583
Other debit balances	2,598,602	1,608,020
	<u>11,240,423</u>	<u>8,571,537</u>

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	31 December 2021	31 December 2020
Islamic deposits	14(a) 25,200,000	20,000,000
Cash at banks - current accounts	<u>22,882,531</u>	<u>20,693,362</u>
	<u>48,082,531</u>	<u>40,693,362</u>

- 14-a Investment in Islamic deposits represents time deposits, placed with commercial bank and has a maturity of three months or less as at the original investment date, and on which a commission is generated according to the prevailing short-term deposit rates.

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

 For the year ended 31 December 2021
 Expressed in Saudi Arabian Riyals

15. STATUTORY RESERVE

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

16. LOANS

The Company has bank loan with a local bank with a total amount of SR 273.6 million as at 31 December 2021 (31 December 2020: SR 315,5 million). The loan agreement with the bank contains some covenants, which among other things, that the leverage ratio shall not be more than 1:1 and the debt coverage ratio shall not be less than 3:1 based on the annual audited financial statements and it also requires maintaining some financial ratios and indicators.

A breach of these covenants in the future may lead to renegotiation. The management monitors the covenants on a monthly basis, and in case of the existence of a breach that is expected to occur in the future, the management takes the necessary measures to ensure compliance. The Company has fulfilled these covenants as at 31 December 2021.

All banking facilities carry agreed upon commissions according to the commercial rates prevailing in the market.

The Company has pledged investments in equity instruments at fair value through other comprehensive income (note 7).

On 15 March 2020, the Company signed an agreement to reschedule the loan to be subject to an interest rate of six-months SIBOR and a fixed rate of 1.25% annually instead of 2.5%, and it is payable on quarterly installments of SR 15.9 million and the last installment will be paid on 13 March 2026 instead of February 2024.

As a result of rescheduling the loan and modifying the terms, the Company performed a 10% test of the loan commitment in accordance with the requirements of IFRS 9 "Financial Instruments" and this test resulted in a gain of SR 22,758,671. This amount represents the difference between the present value of the loan under the terms before the modification and the present value of future cash payments under the terms of the loan being renegotiated and modified, discounted at the original effective interest rate of the loan. Since the difference is less than 10%, the amendment in the terms is not considered essential, and it is not accounted for as the disposal of the loan obligation and establishment of a new financial obligation. Accordingly, the present value of future cash payments is recognized in accordance with the terms of the modification using the original effective interest rate of the loan, and the difference is recognized as gains from the effect of the modification during the year 2020.

It was agreed to reschedule the loan installments starting from January 3, 2022, to be paid in an equal quarterly installment of SR 15.87 million for each installment, with the last installment being on January 4, 2026.

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

 For the year ended 31 December 2021
 Expressed in Saudi Arabian Riyals

16. LOANS (continued)

The facilities are stated in the statement of financial position as follows:

	31 December 2021	31 December 2020
Current portion under current liabilities	63,470,883	63,470,883
Non-current portion under non-current liabilities	210,212,689	252,000,653
	<u>273,683,572</u>	<u>315,471,536</u>

The financing movement during the year is as follows:

	31 December 2021	31 December 2020
Balance at beginning of the year	315,471,536	404,626,881
Effect of financial liability cash flows adjustment	5,815,199	(17,750,601)
Payment	(47,603,163)	(71,404,744)
	<u>273,683,572</u>	<u>315,471,536</u>

17. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

a) The valuation was prepared by an independent external actuarial using the following key assumptions:

- As at 31 December 2021, the discount rate was 2.7% for the Company annually (31 December 2020: Discount rate is 2.45% for the Company annually).
- As at 31 December 2021, the salary increase rate was 1.5% for the Company annually (31 December 2020: 1.5% for the Company annually).

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

	31 December 2021	31 December 2020
Present value of the obligation as at the beginning of the year	14,216,404	16,852,045
Components of cost charged on year in statement of profit or loss:		
Current service cost	1,587,614	970,403
Interest cost	332,932	482,982
Total expenses charged to the statement of profit or loss	<u>1,920,546</u>	<u>1,453,385</u>
Items within statement of other comprehensive income:		
Re-assessment of employee benefit obligations	1,190,299	372,563
Actual benefits paid during the year	<u>(1,404,223)</u>	<u>(4,461,589)</u>
Current value of the obligation at the end of the year	<u>15,923,026</u>	<u>14,216,404</u>

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2021
 Expressed in Saudi Arabian Riyals

17. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (continued)

c) Defined benefit liability sensitivity

		31 December 2021	31 December 2020
Rate of change in salaries	Base		
	Increase by 1%	17,459,437	15,630,039
	Decrease by 1%	14,578,455	12,980,135
Discount rate	Base		
	Increase by 1%	14,605,189	13,003,800
	Decrease by 1%	17,456,206	15,628,564
Assumption of a statistical study of employees			
Membership data			
Average age of employees (years)		41.26	41.32
Average years of past experience		9.68	9.27

18. ACCRUED EXPENSE AND OTHER PAYABLES

Accrued expenses and other payables are as follows:

	31 December 2021	31 December 2020
Prepayments customers	4,114,621	1,814,820
Guarantee of good performance	5,073,439	31,773,148
Accrued fees for the exploitation of raw materials	8,619,219	9,323,027
Employees' accruals and benefits	4,199,934	2,566,547
Accrued finance costs	1,487,880	364,878
Value added tax	2,729,760	2,722,349
Other	667,307	628,628
	<u>26,892,160</u>	<u>49,193,397</u>

19. DIVIDENDS OBLIGATIONS

The balance represents dividends for previous years that have not been paid to shareholders as follows:

	31 December 2021	31 December 2020
Balance at 1 January	121,694,374	124,636,454
Dividend payments during the year	(614,517)	(2,942,171)
	<u>121,079,857</u>	<u>121,694,374</u>

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2021
 Expressed in Saudi Arabian Riyals

20. ZAKAT

 a) Charge for the year

	31 December 2021	30 September 2020
Provision for current year	5,046,012	5,533,529
Provision for prior years	--	2,536,717
	<u>5,046,012</u>	<u>8,070,246</u>

 b) Provision for zakat

The movement in Zakat payable represented as follows:

	31 December 2021	31 December 2020
Balance at beginning of the year	10,156,261	4,018,930
Add: Charge for the Year	5,046,012	8,070,246
Less: Payments during the year	(8,245,881)	(1,932,915)
Balance at the end of the year	<u>6,956,392</u>	<u>10,156,261</u>

 c) Components of zakat base

	2021	2020
Shareholders' equity at the beginning of the year	1,249,027,756	1,122,588,069
Adjusted zakat net profit	25,344,447	61,099,403
Provisions at beginning of year	12,812,181	12,582,918
Debts and debts equivalents	273,683,572	253,947,447
Other additions	5,535,474	235,719,913
Less:		
Net fixed assets and the equivalents	(1,007,993,279)	(1,065,784,188)
Investments in a non-trading facility inside the Kingdom and are subject to levy of zakat	(283,140,949)	--
Other discounts	(78,747,786)	(404,066,216)
Zakat base	<u>196,521,416</u>	<u>216,087,346</u>
Accrued zakat	<u>5,046,012</u>	<u>5,533,529</u>

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

 For the year ended 31 December 2021
 Expressed in Saudi Arabian Riyals

20. ZAKAT (continued)
d) Zakat Status

The Company has submitted its Zakat returns to the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia for all years up to the financial year ended 31 December 2020. The Company has a zakat certificate valid until 30 April 2022.

The Company received the zakat assessment for the financial years from the year ended 31 December 2014 until the year ended 31 December 2017, with a total zakat difference of SR 557,949. The Company objected the full assessment value, so the Zakat, Tax and Customs Authority issued an adjusted assessment with a total value of SR 202,995. The Company paid the full value of the adjusted assessment and ended the zakat status for these years.

The Company received the Zakat assessment for the financial year ended 31 December 2018, with a total zakat difference of SR 2,669,475. The Company agreed on all the terms of the assessment and paid the due zakat in full. Then the Company objected one item of the same assessment, which is the difference in revaluation of investments with a value of SR 2,540,231 at the General Committees for Zakat and Tax Objections, and the Company's objection is still under study by the General Secretariat of Tax and Zakat Committees.

Zakat assessment has not been received for the financial years ended 31 December 2019 until 31 December 2020.

21. EARNINGS PER SHARE
a) Basic earnings per share

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

	31 December 2021	31 December 2020
Profit for the year	17,757,321	51,575,772
Number of shares (weighted average)	90,000,000	90,000,000
Basic earnings per share (SR)	0.197	0.573

b) Diluted EPS

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

During the year there were no diluted shares, accordingly the diluted earnings per share was the same as the basic.

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

 For the year ended 31 December 2021
 Expressed in Saudi Arabian Riyals

22. REVENUE AND COST OF SALES

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

	2021	2020
Kingdom of Saudi Arabia	221,123,835	250,341,048
Republic of Yemen and Republic of Sudan	7,405,440	26,113,724
Total revenue from contracts with customers	<u>228,529,275</u>	<u>276,454,772</u>

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

23. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the year ended 31 December consist of the following:

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Salaries, wages and equivalents		2,481,437	2,294,741
Depreciation	6-c	124,837	111,221
Other		439,758	545,623
		<u>3,046,032</u>	<u>2,951,585</u>

24. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Salaries, wages and equivalents		9,394,858	8,742,537
Consultancy fees		2,907,907	1,965,267
BOD's remunerations and allowances		2,034,519	1,987,580
Depreciation	6-c	1,409,166	1,690,464
Donations and aids		640,152	1,139,313
Cleaning expenses		630,363	385,225
Rental expenses		622,723	64,807
Postage and telephone charges		523,519	592,079
Subscriptions		127,805	197,311
Other		3,360,989	3,589,995
		<u>21,652,001</u>	<u>20,354,578</u>

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

Expressed in Saudi Arabian Riyals

25. OTHER INCOME

The other income for the year ended 31 December comprises of as follows:

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Gain on disposal of real estate investments	7	10,014,593	7,679,759
Provisions no longer required		57,448	128,321
Other		827,091	367,303
		<u>10,899,132</u>	<u>8,175,384</u>

26. CONTINGENCIES AND CAPITAL COMMITMENTS

- a) As at 31 December 2021, the capital contingencies related to projects in progress (note 6) amounted to SR 6,642,363 (2020: SR 4,226,138).
- b) As at 31 December 2021, the contingent liabilities against issued banking letters of guarantee amounted to SR 5,195,074 (2020: SR 3,625,000).

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related party transactions mainly represent Salaries, allowances and bonuses of senior executives. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Directors and shareholders (whether executive or otherwise).

The salaries, wages and related costs benefits during the year ended 31 December include the following:

Transactions with	Nature of transaction	31 December 2021	31 December 2020
Key management personnel	Salaries, wages and equivalents	<u>1,920,000</u>	<u>1,980,576</u>
BOD members	BOD's remunerations and allowances	<u>2,034,519</u>	<u>1,987,580</u>

28. SEGMENT INFORMATION

The Company has one main product, which is packed and unpacked cement. The main sectors of the Company are presented according to geographical sectors. These segments are organized and managed separately according to the geographical location, each forming a separate unit. The geographical segments set out below are determined by distinguishing business activities from which the Company generates revenues and incurs costs. The economic characteristics are reviewed and the method of determining the geographical sectors is reconsidered in light of the evaluation made by the Chief Operating Decision Maker at least every quarter, provided that they are approved by the Company's Board of Directors. The Company operates in the Kingdom of Saudi Arabia and exports cement to some Arab countries, where payment is made in advance to all export customers before completing the sale process according to the data shown below:

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

Expressed in Saudi Arabian Riyals

28. SEGMENT INFORMATION (continued)

For the year ended 31 December 2021

	Inside KSA	Outside KSA	Total
Revenue from Contracts with Customers	<u>221,123,835</u>	<u>7,405,440</u>	<u>228,529,275</u>

For the year ended 31 December 2020

	Inside KSA	Outside KSA	Total
Revenue from Contracts with Customers	<u>250,341,048</u>	<u>26,113,724</u>	<u>276,454,772</u>

29. FINANCE COSTS

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

	31 December 2021	31 December 2020
Finance cost charged on the statement of profit or loss under borrowings	6,340,428	11,274,890
Less: Murabaha interests	(148,311)	(54,087)
	<u>6,192,117</u>	<u>11,220,803</u>

30. FINANCIAL RISK MANAGEMENT

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

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

Financial risk management framework

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

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

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

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

 For the year ended 31 December 2021
 Expressed in Saudi Arabian Riyals

30. FINANCIAL RISK MANAGEMENT (continued)
Financial risk management framework (continued)

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

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

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: Interest rate risk, currency risk and other price risk.

Interest rate risk cost

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

	31 December 2021	31 December 2020
Variable rate instruments		
Loans	273,683,572	315,471,536

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

	<u>Profit / (loss) 2021</u>		<u>Profit / (loss) 2020</u>	
	Decrease in basis points of related commission rates <u>100 bps</u>	Increase in basis points of related to commission rates <u>100 bps</u>	Decrease in basis points of related commission rates <u>100 bps</u>	Increase in basis points of related to commission rates <u>100 bps</u>
Loans	2,736,835	(2,736,835)	3,154,714	(3,154,714)

Foreign currency risk

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

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

 For the year ended 31 December 2021
 Expressed in Saudi Arabian Riyals

30. FINANCIAL RISK MANAGEMENT (continued)
Credit risk

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

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

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

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

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

	31 December 2021	31 December 2020
Financial assets		
Trade receivables	7,977,607	6,042,352
Bank Balances	48,082,531	40,693,362
	<u>56,060,138</u>	<u>46,735,714</u>
Financial assets		
Secured	3,800,000	4,100,000
	<u>3,800,000</u>	<u>4,100,000</u>

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2021
 Expressed in Saudi Arabian Riyals

30. FINANCIAL RISK MANAGEMENT (continued)
Credit risk (continued)

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

Term	31 December 2021		31 December 2020	
	Balance SR	Impairment in value SR	Balance SR	Impairment in value SR
Neither past due nor impaired	7,205,294	--	4,626,315	--
From 0 to 60 days	437,891	--	911,721	--
From 61 to 90 days	428,011	93,590	685,719	181,403
More than 90 days	41,424	41,424	11,059	11,059
	<u>8,112,621</u>	<u>135,014</u>	<u>6,234,814</u>	<u>192,462</u>

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial assets quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available. The concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets. The following is the contractual maturities for financial liabilities at the end of the period and represented by growth amounts:

31 December 2021	Undiscounted contractual cash flows					Total Carrying amount
	Less than a year	1 year to 3 years	Over 3 years	Interest accruals for future periods	Total contractual maturity	
Loans	63,470,883	126,941,767	83,270,922	14,397,574	288,081,146	273,683,572
Trade receivables, accrued expense and other payables	43,269,097	--	--	--	--	43,269,097
Dividend payable	121,079,857	--	--	--	--	121,079,857
	<u>227,819,837</u>	<u>126,941,767</u>	<u>83,270,922</u>	<u>14,397,574</u>	<u>288,081,146</u>	<u>438,032,526</u>

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2021
 Expressed in Saudi Arabian Riyals

30. FINANCIAL RISK MANAGEMENT (continued)
Liquidity risk (continued)

31 December 2020	Undiscounted contractual cash flows					Total Carrying amount
	Less than a year	1 year to 3 years	Over 3 years	Interest accruals for future periods	Total contractual maturity	
Loans	63,470,883	126,941,767	98,165,369	46,426,712	308,111,213	315,471,536
Trade receivables, accrued expense and other payables	59,297,661	--	--	--	--	59,297,661
Dividend payable	121,694,374	--	--	--	--	121,694,374
	<u>244,462,918</u>	<u>126,941,767</u>	<u>98,165,369</u>	<u>19,533,195</u>	<u>308,111,213</u>	<u>469,570,053</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

31. CAPITAL MANAGEMENT

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

The Company's adjusted net liabilities to equity ratio was as follows:

	31 December 2021	31 December 2020
Total liabilities	462,684,363	524,489,950
Less: Cash at banks	48,082,531	40,693,362
Net liabilities	<u>414,601,832</u>	<u>483,796,588</u>
Total shareholders' equity	1,267,447,453	1,249,027,756
Net liabilities to equity	<u>0.327</u>	<u>0.387</u>

In order to achieve this general objective, the Company, through its capital management, aims to ensure, among other things, that it fulfills the financial covenants associated with the loans that specify capital structure requirements. Failure to comply with the associated financial covenants will allow the Bank to demand immediate repayment of the loans. There were no cases of breach of financial covenants for any loans, as well as no changes in the objectives, policies or procedures of the Company for capital management during the year ended 31 December 2021.

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

Expressed in Saudi Arabian Riyals

32. FAIR VALUE OF ASSETS AND LIABILITIES

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

The below table shows the carrying amounts and fair values of the financial assets and liabilities including their levels in the fair value hierarchy.

Financial assets	31 December 2021					
	Carrying value		Fair value			
	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Trade receivables	7,977,607	7,977,607	--	--	--	--
Cash and cash equivalents	48,082,531	48,082,531	--	--	--	--
Investment properties	72,279,440	72,279,440	--	72,279,440	--	72,279,440
	<u>128,339,578</u>	<u>128,339,578</u>	<u>--</u>	<u>72,279,440</u>	<u>--</u>	<u>72,279,440</u>
Financial liabilities						
Loans and facilities	273,683,572	273,683,572	--	--	--	--
Trade receivables, accrued expense and other payables	43,269,097	43,269,097	--	--	--	--
	<u>316,952,669</u>	<u>316,952,669</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Financial assets	31 December 2020					
	Carrying amount		Fair value			
	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
Trade receivables	6,042,352	6,042,352	--	--	--	--
Cash and cash equivalents	40,693,362	40,693,362	--	--	--	--
Investment properties	77,464,847	77,464,847	--	77,464,847	--	77,464,847
	<u>124,200,561</u>	<u>124,200,561</u>	<u>--</u>	<u>77,464,847</u>	<u>--</u>	<u>77,464,847</u>
Financial liabilities						
Loans and facilities	315,471,536	315,471,536	--	--	--	--
Trade receivables, accrued expense and other payables	59,297,661	59,297,661	--	--	--	--
	<u>374,769,197</u>	<u>374,769,197</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>

TABUK CEMENT COMPANY
 (Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

Expressed in Saudi Arabian Riyals

33. SUBSEQUENT EVENTS

The Board of Directors, at its meeting held on Shaban 23, 1443H, corresponding to 26 March 2022, recommended a cash dividend of SR22.5 million for SR 1.25 per share. The dividends are attributable to the shareholders of the Company who own shares by the end of the next General Assembly and registered in the registry of the Company's shareholders in the Securities Depository Center (Edaa) at the end of the second trading day following the due date. The date of the Company's General Assembly meeting will be announced later, after taking the necessary approvals.

34. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 22 March 2022, corresponding to 19 Sha'aban 1443H.



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