

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**FINANCIAL STATEMENTS**  
For the year ended 31 December 2020  
together with the  
**Independent Auditor's Report**

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**FINANCIAL STATEMENTS**  
For the year ended 31 December 2020  
together with the  
Independent Auditor's Report

<b><u>Index</u></b>	<b><u>Page</u></b>
Independent Auditor's Report	1-4
Statement of Financial Position	5
Statement of Profit or Loss and Other Comprehensive Income	6
Statement of Change in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9-44



**KPMG Al Fozan & Partners**  
**Certified Public Accountants**

Riyadh Front, Airport Road  
P O Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia

Telephone +966 11 874 8500  
Fax +966 11 874 8600  
Internet [www.kpmg.com/sa](http://www.kpmg.com/sa)

Licence No. 46/11/323 issued 11/3/1992

## Independent Auditor's Report

To the Shareholders of Qassim Cement Company

### Opinion

We have audited the financial statements of Qassim Cement Company (A Saudi Joint Stock Company) ("the Company"), which comprise the statement of financial position as at 31 December 2020, 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 2020, 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 Saudi Organization for Certified Public Accountants (SOCPA).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 period. 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.

# Independent Auditor's Report

To the Shareholders of Qassim Cement Company (continued)

Revenue recognition	
<p>With reference to Note (6) of the accounting policy related to revenue from contracts with customers, as well as Note (24) related to disclosure of contracts with customers.</p>	
Key audit matter	How the matter was addressed in our audit
<p>The Company applies IFRS 15.</p> <p>The Company generated revenues of SR 898 million for the year ended 31 December 2020.</p> <ul style="list-style-type: none"> <li>- Revenue is a key indicator for measuring performance, and this implies the presence of inherent risks by overstatement of revenue recognition to increase profitability. Therefore, revenue recognition was considered a key audit matter.</li> </ul>	<p>Our audit procedures included, among others, based on our judgment, the following:</p> <ul style="list-style-type: none"> <li>- An examination of the revenue recognition process, taking into account the requirements of the relevant accounting standards, and an assessment of the appropriateness of the accounting policies used.</li> <li>- Test the design and implementation of internal control procedures related to revenue recognition and their operational effectiveness, including anti-fraud control procedures.</li> <li>- Conducting analytical audit procedures for revenues, by comparing sales quantities and prices for the current year with the previous year, and determining whether there are any significant trends or fluctuations that need additional examination in light of our understanding of the current market conditions.</li> <li>- On sample basis, test revenue transactions with the supporting documents, to verify that the revenues are recorded in their correct periods.</li> </ul>
Existence and evaluation of inventory	
<p>With reference to Note (6) of the accounting policy related to recognition of inventories, as well as Note (13) related to disclosure of existence and evaluation of inventory.</p>	
Key audit matter	How the matter was addressed in our audit
<p>The Company applies IAS 2.</p> <p>The stock of raw materials amounted to SR 19 million, and the work in-progress stock amounted to SR 184 million (mainly consisting of clinkers stored in the form of piles in yards built for this purpose) for the year ended 31 December 2020.</p> <p>Determining the weight of this inventory is not practically possible, therefore, the management estimates the quantities available at the end of the year by measuring the inventory piles and converting the measurements into unit volumes using the angle of repose and quantitative density. To do this, the management appoints an independent inspection expert to estimate the quantities using some practical methodological measurement calculations and apply density conversion methods applied to similar types of inventory that are used in the cement industry.</p> <p>Given the importance of the inventory balances and related estimates used in determining the quantities, the existence and valuation of inventory was considered as a key audit matter.</p>	<p>Our audit procedures included, among others, based on our judgment, the following:</p> <ul style="list-style-type: none"> <li>- Attending the physical inventory count conducted by the Company and an independent inspection expert.</li> <li>- Evaluating the efficiency, qualifications, and objectivity of the independent inspection expert in this field.</li> <li>- Obtaining the inventory count report submitted by the independent inspection expert regarding the main inventory items and checking them on the sample basis.</li> <li>- Assessing the reasonableness of inventory piles measurements carried out by management during the physical count and recalculating the conversion of volumes into quantities.</li> <li>- On a sample basis, testing the inventory valuation at the end of the year, and assessing judgments and estimates used in estimating the damages and the net realizable value of impairment by management.</li> <li>- Assessing the completeness and adequacy of the disclosures related to inventory for the year ended 31 December 2020.</li> </ul>



# Independent Auditor's Report

To the Shareholders of Qassim Cement Company (continued)

## Other matter

The financial statements of the Company for the year ended 31 December 2019 have been audited by another auditor who expressed an unmodified opinion on those financial statements dated 29 January 2020.

## 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 auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's 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 Regulations for Companies, the 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 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, the Audit Committee, 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.

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 skepticism 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.

# Independent Auditor's Report

To the Shareholders of Qassim Cement Company (continued)

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

- 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 disclosure, 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 Qassim Cement Company ("the 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 period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**For KPMG Al Fozan & Partners  
Certified Public Accountants**

**Dr. Abdullah Hamad Al Fozan  
License No. 348**

Riyadh on 27 Jumada' II 1442H  
Corresponding to: 9 February 2021



**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2020  
(Saudi Riyals)

	Note	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
<b><u>ASSETS</u></b>			
Property, plant and equipment	7	668,068,609	727,206,347
Projects in progress	8	9,606,587	7,186,215
Investment properties (lands)	9	9,516,450	9,516,450
Financial investments at FVTPL	10	63,865,085	67,027,500
Term Murabaha - non-current portion	11	100,000,000	100,000,000
Right-of-use assets	12	2,814,825	-
<b>Non-current assets</b>		<u>853,871,556</u>	<u>910,936,512</u>
Inventories	13	295,676,450	339,154,822
Term Murabaha - current portion	11	150,000,000	230,129,199
Financial investments at FVTPL	10	621,178,885	468,075,993
Trade receivables	14	41,952,913	32,436,667
Prepaid expenses and other receivables	15	85,695,032	13,492,723
Cash and cash equivalents	16	66,893,586	62,445,100
<b>Current assets</b>		<u>1,261,396,866</u>	<u>1,145,734,504</u>
<b>Total assets</b>		<u>2,115,268,422</u>	<u>2,056,671,016</u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Equity attributable to the Company's Shareholders</b>			
Share capital	17	900,000,000	900,000,000
Statutory reserve	18	270,000,000	270,000,000
Cumulative changes in the items of other comprehensive income		(4,081,829)	(687,349)
Retained earnings		643,170,058	614,834,935
<b>Total equity</b>		<u>1,809,088,229</u>	<u>1,784,147,586</u>
<b>Liabilities</b>			
Provision for rehabilitation of areas subject to franchise license	19	12,010,857	11,018,636
Employees' benefits obligation	20	40,054,832	35,544,061
Long-term lease liabilities	12	2,007,078	-
<b>Non-current liabilities</b>		<u>54,072,767</u>	<u>46,562,697</u>
Trade and other accounts payable	21	111,297,101	92,725,227
Dividend payable	25	67,507,996	63,671,200
Zakat provision	22	29,077,532	25,282,442
Other provisions	23	43,404,537	44,281,864
Short-term lease liabilities	12	820,260	-
<b>Current liabilities</b>		<u>252,107,426</u>	<u>225,960,733</u>
<b>Total liabilities</b>		<u>306,180,193</u>	<u>272,523,430</u>
<b>Total equity and liabilities</b>		<u>2,115,268,422</u>	<u>2,056,671,016</u>

The accompanying notes (1) through (37) form an integral part of these financial statements.

The financial statements have been approved for issuance by the Board of Directors on 3 February 2021 and signed on their behalf by:

Mr. Alaa Abu-Ameereh

Finance Director

Eng. Omar bin Abdullah Al Omar

CEO and Board Member

Mr. Tariq bin Mutlaq Al Mutlaq

Chairman

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the year ended 31 December 2020**  
(Saudi Riyals)

	Note	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Revenues	24	<b>898,421,860</b>	791,793,487
Cost of sales	24	<b>(425,190,789)</b>	(365,350,544)
<b>Gross profit</b>		<b>473,231,071</b>	426,442,943
Selling and marketing expenses	26	<b>(10,636,441)</b>	(25,227,012)
General and administrative expenses	27	<b>(33,183,437)</b>	(20,518,485)
Provision for impairment of accounts receivable	14	<b>(7,132,860)</b>	(708,573)
<b>Operating profit</b>		<b>422,278,333</b>	379,988,873
Unrealized gains on investments at FVTPL, net		<b>4,102,391</b>	7,977,134
Dividends of investments at FVTPL		<b>1,901,727</b>	6,525,244
Revenue from Murabaha returns		<b>12,412,453</b>	16,156,020
Other income	28	<b>9,850,310</b>	3,461,425
Finance costs		<b>(1,019,061)</b>	(1,025,374)
Other expenses	29	<b>-</b>	(27,748,227)
<b>Profit before zakat and income tax</b>		<b>449,526,153</b>	385,335,095
Zakat	22	<b>(29,691,030)</b>	(24,600,000)
<b>Profit for the year</b>		<b>419,835,123</b>	360,735,095
<b><u>Other comprehensive income:</u></b>			
<b><u>Items that will not be reclassified to profit or loss:</u></b>			
Actuarial loss on re-measurement of employees' end-of-service benefits	20	<b>(3,394,480)</b>	(2,523,920)
<b>Total other comprehensive income</b>		<b>416,440,643</b>	358,211,175
<b>Earning per share of net income for the year</b>	32		
<b>Basic</b>		<b>4.66</b>	4.01
<b>Diluted</b>		<b>4.66</b>	4.01

The accompanying notes (1) to (37) form an integral part of these financial statements.

The financial statements have been approved for issuance by the Board of Directors on 3 February 2021 and signed on their behalf by:

<u>Mr. Alaa Abu-Ameereh</u>	<u>Eng. Omar bin Abdullah Al Omar</u>	<u>Mr. Tariq bin Mutlaq Al Mutlaq</u>
Finance Director	CEO and Board Member	Chairman



**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2020**  
(Saudi Riyals)

<u>Note</u>	<b>Share capital</b>	<b>Statutory reserve</b>	<b>Cumulative changes in the items of other comprehensive income</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Balance as at 1 January 2019</b>	900,000,000	270,000,000	1,836,571	465,599,840	1,637,436,411
Profit for the year	-	-	-	360,735,095	360,735,095
Other comprehensive income	-	-	(2,523,920)	-	(2,523,920)
<b>Total comprehensive income</b>	-	-	(2,523,920)	360,735,095	358,211,175
Dividends	-	-	-	(211,500,000)	(211,500,000)
<b>Balance at 31 December 2019</b>	<b>900,000,000</b>	<b>270,000,000</b>	<b>(687,349)</b>	<b>614,834,935</b>	<b>1,784,147,586</b>
<b>Balance as at 1 January 2020</b>	<b>900,000,000</b>	<b>270,000,000</b>	<b>(687,349)</b>	<b>614,834,935</b>	<b>1,784,147,586</b>
Profit for the year	-	-	-	419,835,123	419,835,123
Other comprehensive income	-	-	(3,394,480)	-	(3,394,480)
<b>Total comprehensive income</b>	-	-	(3,394,480)	419,835,123	416,440,643
Dividends	-	-	-	(391,500,000)	(391,500,000)
<b>Balance as at 31 December 2020</b>	<b>900,000,000</b>	<b>270,000,000</b>	<b>(4,081,829)</b>	<b>643,170,058</b>	<b>1,809,088,229</b>

The accompanying notes (1) to (37) form an integral part of these financial statements.

The financial statements have been approved for issuance by the Board of Directors on 3 February 2021 and signed on their behalf by:

Mr. Alaa Abu-Ameereh

Eng. Omar bin Abdullah Al Omar

Mr. Tariq bin Mutlaq Al Mutlaq

Finance Director

CEO and Board Member

Chairman

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2020  
(Saudi Riyals)

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Profit for the year	419,835,123	360,735,095
<b>Adjustments:</b>		
Zakat charge	29,691,030	24,600,000
Depreciation of property, plant and equipment	74,182,624	72,363,316
Depreciation of right-of-use assets	122,384	-
Allowance for expected credit losses for customers	7,132,860	708,573
Allowance for expected credit losses of accounts receivables	357,951	140,379
Provision for obsolete and slow-moving inventory	12,101,753	7,436,441
Other provisions	5,000,000	41,271,338
Unrealized gains on investments at FVTPL	(4,102,391)	(7,977,134)
Revenue from Murabaha returns	(12,412,453)	(16,156,020)
Employees' benefits obligation	4,311,093	4,205,423
Adjustment of projects in progress within expenses	30,060	1,741,231
Finance costs for rehabilitation of areas subject to franchise license	992,221	1,025,374
Finance costs from leases	26,839	-
Loss on disposal of property, plant and equipment	257,519	8,460
	<u>537,526,613</u>	<u>490,102,476</u>
<b>Changes in working capital:</b>		
Inventories	30,332,099	(17,847,594)
Trade receivables	(16,649,106)	7,716,160
Prepaid expenses and other receivables	(30,217,908)	(3,964,443)
Accrued expenses and other payables	10,820,645	7,517,341
Trade payables	1,873,902	(488,725)
End-of-service benefits paid	(3,194,802)	(2,734,426)
Zakat paid	(25,895,940)	(22,648,311)
<b>Net cash generated from operating activities</b>	<u>504,595,503</u>	<u>457,652,478</u>
<b>Investing activities</b>		
Payment for purchase property, plant and equipment	(16,800,417)	(18,649,893)
Proceeds from disposal of property, plant and equipment	92,100	-
Payment for purchase of investments at FVTPL	(555,245,761)	(765,795,410)
Proceeds from sale of investments at FVTPL	362,782,080	339,169,513
Proceeds from term Murabaha	321,824,895	678,785,139
Paid to purchase term Murabaha	(225,000,000)	(463,002,734)
<b>Net cash used in investing activities</b>	<u>(112,347,103)</u>	<u>(229,493,385)</u>
<b>Financing Activities</b>		
Lease payments	(136,710)	-
Dividends distributed	(387,663,204)	(255,299,648)
<b>Net cash used in financing activities</b>	<u>(387,799,914)</u>	<u>(255,299,648)</u>
Change in cash and cash equivalents during the year	4,448,486	(27,140,555)
Cash and cash equivalents at the beginning of the year	62,445,100	89,585,655
<b>Cash and cash equivalents as at the end of the year</b>	<u>66,893,586</u>	<u>62,445,100</u>

Non-cash transactions are disclosed in Note (35).

The accompanying notes (1) to (37) form an integral part of these financial statements.

The financial statements have been approved for issuance by the Board of Directors on 3 February 2021 and signed on their behalf by:

Mr. Alaa Abu-Ameereh

Eng. Omar bin Abdullah Al Omar

Mr. Tariq bin Mutlaq Al  
Mutlaq

Finance Director

CEO and Board Member

Chairman

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**1- COMPANY INFORMATION**

Qassim Cement Company (the “Company”) is a Saudi joint stock company listed on the financial market in the Kingdom of Saudi Arabia and operates under the Commercial Registration No. (1131001224) issued in the city of Buraydah on 28 Sha’aban 1398H (corresponding to 02 August 1978). The Company was incorporated in accordance with the Regulations for Companies by the Royal Decree No. M/62 dated 15 Sha’aban 1396H (corresponding to 11 August 1976).

The Company is engaged in manufacturing and producing cement, its derivatives and supplements, the trade of these products, and carrying out all works directly and indirectly related to this purpose. The Company carries out its activities through its factory located in Buraydah - Qassim, which is registered at the address (4266, unit No. 1 - Buraydah 52271 - 6735).

The Company’s fiscal year shall begin on 1st January and end on the 31 December of each Gregorian year.

**2- PREPARATION OF THE FINANCIAL STATEMENTS**

**2-1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in Saudi Arabia and other standards and pronouncements as endorsed by SOCPA, using the same accounting policies in preparing the annual financial statements for the year 2019, which were detailed in Note (6).

**2-2 Basis of measurement**

The financial statements have been prepared under the historical cost convention except for the following material items mentioned in the statement of financial position:

- Financial investments at FVTPL are measured at fair value.
- Defined benefit financial obligation receivables for future liabilities are recognized based on the projected unit credit method.

**3- FUNCTIONAL AND PRESENTATION CURRENCY**

These financial statements are prepared in Saudi Riyals (SR) which is the Company’s functional and presentation currency.

**4- USE OF ESTIMATES AND JUDGMENTS**

The preparation of financial statements requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. These changes are reflected in the assumptions when they occur.

In particular, information about significant areas of estimated uncertainty and critical 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:

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**4- USE OF JUDGMENTS AND ESTIMATES (CONTINUED)**

**Measurement of employees' benefits obligations**

The Company's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods and discounting that amount to arrive at present value. The calculation is performed annually by an independent actuary using the projected unit credit method. Judgments have been used in the estimation of actuarial assumptions. Key assumptions are disclosed in Note (20).

**Impairment of inventories**

The management estimates the impairment in the inventory to reach the net realizable value if its cost is not recoverable or it becomes damaged as a whole or a part of it, or if its selling price is less than its cost or if there are any other factors that may lead to a decrease in its realizable value for less than its cost. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the financial statements date to the extent that such events confirm conditions existing at the end of period.

**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. When such indicator exists, the recoverable amount of the asset is estimated.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are cash inflows resulting from continuous use that are largely independent from other assets and cash-generating units.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and value in use. Value of use is based on future cash flows deducted from its current value using a discount rate reflects the current market assessments of current value of money and risks related to an asset or cash-generating unit.

Impairment loss is recognized when the book value of an asset or cash-generating unit exceeds its recoverable amount.

Impairment losses are recognized in the statement of profit or loss. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed its carrying amount, net of depreciation or amortization, which would have been determined if the impairment losses had not been recognized.

**Useful life 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 of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

**Impairment of accounts receivable**

These are disclosed in Note (6) - Financial Instruments.

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**4- USE OF JUDGMENTS AND ESTIMATES (CONTINUED)**

**Fair value of assets and liabilities**

Fair value is the selling price received to sell an asset or paid to transfer a liability within an orderly transaction between market participants on the measurement date or in the absence of that market, the best market available at that date. The fair value of a liability reflects its non-performance risk.

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

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

If the inputs used to measure the fair value of an asset or liability are at different levels of the fair value hierarchy, the entire measurement is categorized under the lowest level of inputs that is significant to the measurement as a whole.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change occurred. As of 31 December 2020 and 31 December 2019, there were no transfers between levels.

The carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy have been disclosed in Note 34. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable equivalent to the fair value.

**Going concern**

The management of the Company has assessed the Company's ability to continue as a going concern, and concluded that the Company has sufficient resources to continue its business in the foreseeable future. In addition, the management does not have any material doubts about the Company's ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

**5- NEW STANDARDS ISSUED**

**5-1 New standards, interpretations and amendments adopted by the Company**

The accounting policies applied 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 2019, except for the adoption of the new standards that effective on 1 January 2020 and have no material effect on these financial statements.

Effective from	New standards and amendments
1 January 2020	Definition of Material (Amendments to IAS1 and IAS8).
1 January 2020	Definition of a Business (Amendments to IFRS 3.
1 January 2020	Amendments to the References Conceptual Framework in IFRS standards.

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**5- CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5-2 Standards issued but not adopted**

Following are the standards and amendments that were issued but not yet effective. The Company does not expect to have a material impact on the financial statements if the below standards and amendments are adopted.

Effective for annual periods beginning on or after	New standards and amendments
1 January 2021	IFRS -17 Insurance Contracts
1 January 2022	Classification of obligations (Amendments to IAS 1 “presentation of financial statements”)
Available for optional adoption / effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

**6- SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been consistently applied the following accounting policies to all periods presented in these financial statements, except for what is indicated in Note (5).

**Revenue 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 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 Company 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 the entity satisfies a performance obligation.

If the amount to be paid in the contract includes a variable amount, the Company estimates the amount to which the Company is entitled in exchange for transferring the goods or services promised to provide to the customer.

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

The Company sells clinker and bulk and packaged cement, where the sale is made according to sales invoices and / or independent specific contracts concluded with the clients.

(a) Sale of goods

For contracts with customers in which the sale of cement is generally expected to be the only performance obligation, revenue from the sale is recognized at the time that control of the asset is transferred to the customer at a point in time, which is usually upon delivery.

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue from contracts with customers (continued)**

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 takes into account the below-mentioned indicators in assessing the transfer of control over 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

**Leases**

a) Definition of a lease

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

At inception or on reassessment of an arrangement 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.

b) As a lessee

Lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at the date of the lease. Right-to-use assets are measured using an amount equal to the lease liability adjusted for prepayments or accrued leases. The Company has applied this method to all leases.

The Company used the permissible exemption in not recognizing right-of-use assets and lease liabilities for leases of less than 12 months.

The lease liability is re-measured when there is a change in future lease payments.

**Employee benefits**

**Defined employee benefit plans**

According to the Saudi Labor Law in the Kingdom of Saudi Arabia, the Company is required to pay end-of-service benefits (a defined benefit plan), which are calculated based on the half of the last month's salary of each year of the first five years of service, including the fractions of the year plus the full last month's salary for each year of the next or remaining service includes fractions of the year. End-of-service benefit plan is unfunded.

**Valuation technique and key assumptions for the actuarial study**

Under requirements of IAS 19 "Employees' benefits", end-of-service benefit obligations are calculated using the actuarial valuation and using the projected unit credit method at the end of each fiscal year. Gains or losses arising from the actuarial revaluation are recorded in the statement of comprehensive income for the period in which the revaluation occurred. The recognized remeasurement in OCI is immediately included under retained earnings and is not included under profit or loss. Past service cost is calculated in profit or loss during the plan amendment period. The interest is calculated using the discount rate at the beginning of the period, on the employees' defined benefits obligations.

The current service cost of the defined benefit plan is recognized in the statement of profit or loss under employee's benefits expense, to reflect the increase in the liability resulting from employee services for the current year and cases of change, curtail or settlement of benefits. The cost of services for previous years is included immediately in the statement of profit or loss.

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

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Employee benefits**

Defined benefit costs are classified as follows:

- Service cost (including current service costs and past service costs, in addition to gains and losses resulting from employees' promotions and reimbursements);
- Interest cost, and
- Re-measurement.

**Short-term employees' benefits**

The liability is recognized and measured for benefits related to wages, salaries, annual leave and sick-leave in the period in which the service is provided on the undiscounted amounts of the benefits expected to be paid in exchange for those services.

**Finance income**

Finance income consists of Islamic Murabaha income on the amounts invested, which are recognized in profit or loss. Revenues from Islamic Murabaha are recognized as they become due in profit or loss, using the effective interest method.

**Zakat**

Zakat provision is calculated in accordance with the regulations of the General Authority for Zakat and Income ("GAZT") in the Kingdom of Saudi Arabia. Zakat is calculated for the period in an estimate, and the provision for Zakat is charged in a separate item in the statement of profit or loss. Additional Zakat liabilities, if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized.

**Inventories**

Inventories are held at the lower of cost or net realizable value. The cost of inventory is calculated according to the weighted average method, which includes the expenditures incurred in bringing the inventory to the location in its current condition. In the case of manufactured inventory and in-progress inventory, inventory is charged with its appropriate share of indirect costs based on the Company's normal operating capacity. Net realizable value is the estimated selling price in the Company's ordinary course of business less estimated costs to complete the sale.

**Foreign currencies**

**Foreign currency transactions**

Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the reporting date. For non-financial assets and liabilities that are measured at fair value in a foreign currency, they are retranslated into the functional currency according to the exchange rates prevailing on the date of determining the fair value. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate ruling on the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

**Provision for rehabilitation of areas subject to franchise license**

The provision for the rehabilitation of areas subject to a franchise license is measured at the present value of the expected cost of re-settlement of the Company's franchise site, using the discount rate as at the start date of the franchise license contract.



**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property, plant and equipment**

Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. For internally constructed assets, the cost of the asset includes the cost of materials, direct labor and other direct costs that are required to prepare them to the condition in which they are operated at their location and for the purpose for which they were acquired.

Major or essential components of an item of property, plant and equipment that have different useful lives are accounted for as separate items (major components) within property, plant and equipment.

Profits or losses arising from the disposal of an item of property, plant and equipment are determined on the basis of the difference between the net proceeds of sale and the book value of the disposed items of property, plant and equipment, and are included in the statement of profit or loss in the period in which the disposal is made.

Subsequent costs

The costs of replacing a part of an item of property, plant and equipment are recognized in the carrying cost of this item if it is probable that the future economic benefits inherent in that part will flow to the Company, in addition to the possibility of measuring this cost reliably. The carrying value of the replaced part is eliminated. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit as loss as incurred.

Major inspections and maintenance are accounted for as a separate component if they are used in more than one financial period. The carrying value of these components is determined by reference to the current market price of these repairs.

Depreciation

Depreciation is the systematic allocation of the depreciable value of items of property, plant and equipment (the cost of the asset less the residual value of the asset) over its useful life.

Depreciation charge is recognized in the statement of profit or loss on the straight-line method over the estimated useful life of each item of property, plant and equipment. Leased assets are depreciated over the lower of lease term or the useful lives of the assets. Unless there is reasonable assurance that the Company will acquire ownership of these assets at the end of the lease term. Freehold land of the Company is not depreciated.

When the useful life of an item of property, plant and equipment differs it is accounted for as separate items.

The estimated useful lives of main items of property, plant and equipment for current and comparative periods are as follows:

<u>Asset</u>	<u>Useful lives (Years)</u>
Buildings	20-33
Plant and equipment	20-30
Tools and instruments	5-20
Furniture and fixtures	5-10
Vehicles	5

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Depreciation (continued)**

Depreciation methods, useful lives and residual values of property, plant and equipment are reviewed by the Company at each financial year-end. In the event that there is a difference, it is treated as changes in the accounting estimates (in the year of change and subsequent years).

**Projects in progress**

The cost of projects in progress is calculated on the basis of the actual cost and is presented separately from the item of property, plant and equipment until they are ready for use, and then transferred to property, plant and equipment and the calculation of their depreciation is performed according to their estimated useful lives.

**Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. For intangible assets developed internally (except for capitalized development costs), they are not capitalized and the expenses are recognized in the statement of profit or loss at the time in which these expenses are accrued.

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

The estimated useful lives of intangible assets are as follows:

<u>Asset</u>	<u>Useful lives (Years)</u>
Computer and intangible assets	3-5

**Investment properties**

Investment properties are properties or lands held either to earn rental income or for capital appreciation or both, and they are not used in production or the supply of goods or services or for administrative purposes. Investment properties are initially carried at cost, and transaction costs are recognized in the initial measurement, and are subsequently measured according to the cost model (at historical cost less accumulated depreciation - except for lands, which are carried at its cost - and the accumulated impairment losses, if any).

**Financial instruments**

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

**Recognition of financial instruments**

The financial asset and liability are recognized when the Company becomes a party to the contractual obligations of the instrument, and this generally occurs on the trade date. The Company derecognizes the financial assets when the contractual cash flows of those assets expire or when the Company transfers the right to obtain contractual cash flows from the financial asset in a transaction in which all the risks and rewards of ownership of the financial assets are substantially transferred. Any interest arising from the transferred financial assets that the Company creates or retains is recognized as a separate asset or liability.

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

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 statement of 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 de-recognition.

The financial liability is derecognized from the statement of financial position when the Company pays the obligation arising, the contract is canceled or expired.

Classification of financial instruments

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

- 1) Assets to be measured at amortized cost; or
- 2) Fair value through profit or loss (FVTPL).
- 3) Fair value through other comprehensive income (FVOCI).

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

Financial assets are not reclassified after initial recognition, unless the Company changes its business model to manage the financial assets. In this case, all financial assets that will be affected are reclassified on the first day of the first financial period following the change of the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial measurement of investments in financial instruments that the Company does not hold for the trading purposes, the Company may elect to present any subsequent changes in the fair value of those investments in the statement of other comprehensive income. This election is made on an investment-by-investment basis.

Any other financial assets not classified and measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Financial assets – Subsequent measurement and gains and losses:

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. Amortized value is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividends, are recognized in statement of profit or loss.

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

Accounts receivable

Account receivable are non-derivative financial assets with fixed or determinable payments that are not listed in an active market, and arise primarily by providing goods and services to customers (such as trade receivables). It also includes other types of contractual financial assets that are initially recognized at fair value plus direct costs associated with obtaining it, and they are subsequently recognized at amortized cost using the effective interest method less provision for impairment.

Trade receivables are shown net less the provision that is recorded in a separate account against the loss that is recorded in the statement of profit or loss. When it is certain that the trade receivables are uncollectable, their total carrying value is written off against the related provision.

Reclassification

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

Offsetting financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is an enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously

**Financial liabilities**

Financial liabilities are classified as measured at amortized cost or at FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Trade and other payables

Trade payables and other payables are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method. The Company derecognizes a financial liability (or part of the financial liability) from its statement of financial position when, and only when its contractual obligations are discharged or cancelled, or expired.

**Share capital**

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

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment**

**Impairment of financial assets**

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

ECLs shall be measured for financial assets measured at amortized cost or FVOCI.

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

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

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. The Company may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the Company may choose to apply this policy also for trade receivables and contract assets with no significant financing component. The Company has elected to measure loss allowances for trade receivables at an amount equal to 12-month ECLs.

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. 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, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is reversed at a later time, it is recorded in profit or loss in the period in which it is recovered.

**Impairment of non-financial assets**

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

An impairment exists when the carrying value of the asset or cash-generating unit exceeds the recoverable value, which is the higher of the fair value of the asset less costs to sell or the value in use. The recoverable value of an asset is determined unless the asset is generating cash flows that are largely independent of the cash flows from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered to be impaired and reduced to the recoverable amount. In determining fair value less costs to sell, the most recent market transactions are taken into consideration. If no such transactions can be identified, an appropriate valuation model is used. Value in use is based on a discounted cash flow model, whereby the expected future cash flows are discounted using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment (continued)**

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

At each reporting date, an assessment is made to determine whether there is evidence that previously recognized impairment losses have no or decreased. If such evidence exists, the Company estimates the recoverable amount of the asset or cash-generating unit. An impairment loss recognized previously is reversed only if there has been a change in the assumptions used to determine the recoverable amount since the date of recognition of last impairment loss. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Any impaired non-financial assets - other than goodwill, if any - are examined for possible reversal of this impairment at the end of each financial reporting period.

**Provisions**

Provisions are recognized when the Company has an obligation (legal or constructive) at the statement of financial position date arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. 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 that liability.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

The discount rate used to determine the present value is a pre-zakat rate that reflects current market assessments of the time value of money and the risks specific to liability.

The increase in the provision due to the passage of time is recognized as interest expense.

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits with banks, and other short-term, highly liquid investments whose maturity dates are within three months or less of the original investment date and available to the company without restrictions, and the cash flow statement is prepared according to the indirect method.

**Expenses**

Selling and marketing expenses are those arising from the Company's efforts underlying the marketing and selling functions. All other expenses, excluding cost of sales and financial charges, are classified as administrative expenses. Allocations of common expenses between cost of sales and selling, marketing and administrative expenses, when required, are made reasonably based on the nature and function of expenses.

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Current/non-current classification**

The Company classifies assets and liabilities in the statement of financial position as current/non-current. An asset is classified as current when it is:

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

All other assets are classified as non-current.

A liability is 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 reporting period.

The Company classifies all other liabilities as non-current.

**Segment information**

An operating segment is a group 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 which are measured in accordance with the reports used by the executive management.

The Company mainly operates in an operating sector, which is the manufacturing and selling of cement (packed/ bulk) and it is mainly sold to local customers and an investing sector.

The Company conducts most of its activities inside the Kingdom of Saudi Arabia, and therefore the financial information is not separated into geographical sectors.

**Dividends**

Interim and final dividends are recorded in the period in which they are approved by the Board of Directors delegated by the shareholders' General Assembly.

**Statutory reserve**

The Company's Bylaws require that 10% of the net annual income be transferred to the statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals (30%) of paid-up capital.

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**7- PROPERTY, PLANT AND EQUIPMENT**

7-1 The movement in property, plant and equipment during the year ended 31 December 2020 is as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Plant and equipment</u>	<u>Vehicles</u>	<u>Computer and intangible assets</u>	<u>Furniture and fixtures</u>	<u>Tools and instruments</u>	<u>Total</u>
<b><u>Cost:</u></b>								
Balance at 1 January 2020	10,507,750	712,482,335	1,601,563,432	469,783	12,735,865	11,548,046	11,529,789	2,360,837,000
Additions	-	-	4,284,237	725,600	173,377	177,785	161,408	5,522,407
Transferred from projects in progress	-	1,675,776	6,977,571	-	174,231	-	-	8,827,578
Adjustments and reclassification	-	(202,213)	1,273,156	-	-	14,050	-	1,084,993
Transferred from inventories	-	-	1,044,520	-	-	-	-	1,044,520
Disposals during the year	-	-	(4,563,548)	(283,583)	(1,129,003)	(212,431)	(88,004)	(6,276,569)
<b>Balance at 31 December 2020</b>	<b>10,507,750</b>	<b>713,955,898</b>	<b>1,610,579,368</b>	<b>911,800</b>	<b>11,954,470</b>	<b>11,527,450</b>	<b>11,603,193</b>	<b>2,371,039,929</b>
<b><u>Accumulated depreciation:</u></b>								
Balance at 1 January 2020	-	(450,307,144)	(1,153,391,087)	(463,257)	(10,738,331)	(10,997,319)	(7,733,515)	(1,633,630,653)
Depreciation charged for the year	-	(15,865,076)	(56,475,988)	(111,064)	(762,565)	(165,972)	(801,959)	(74,182,624)
Adjustments and reclassification	-	-	(1,084,999)	-	-	-	-	(1,084,999)
Disposal	-	-	4,232,246	283,581	1,128,932	211,968	70,229	5,926,956
<b>Balance at 31 December 2020</b>	<b>-</b>	<b>(466,172,220)</b>	<b>(1,206,719,828)</b>	<b>(290,740)</b>	<b>(10,371,964)</b>	<b>(10,951,323)</b>	<b>(8,465,245)</b>	<b>(1,702,971,320)</b>
<b><u>Net book value:</u></b>								
<b>At 31 December 2020</b>	<b>10,507,750</b>	<b>247,783,678</b>	<b>403,859,540</b>	<b>621,060</b>	<b>1,582,506</b>	<b>576,127</b>	<b>3,137,948</b>	<b>668,068,609</b>



**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**7- PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

The movement in property, plant and equipment during the year ended 31 December 2019 is as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Plant and equipment</u>	<u>Vehicles</u>	<u>Computer and intangible assets</u>	<u>Furniture and fixtures</u>	<u>Tools and instruments</u>	<u>Total</u>
<b><u>Cost:</u></b>								
Balance at 1 January 2019	10,507,750	711,349,833	1,577,499,830	467,083	10,817,311	11,409,623	11,258,147	2,333,309,577
Additions	-	-	12,291,749	2,700	521,266	163,238	370,785	13,349,738
Transferred from projects in progress	-	1,132,502	-	-	1,370,897	-	-	2,503,399
Adjustments and reclassification	-	-	(15,876)	-	26,391	(10,515)	-	-
Transferred from inventories	-	-	11,787,729	-	-	-	-	11,787,729
Disposals during the year	-	-	-	-	-	(14,300)	(99,143)	(113,443)
<b>Balance at 31 December 2019</b>	<b>10,507,750</b>	<b>712,482,335</b>	<b>1,601,563,432</b>	<b>469,783</b>	<b>12,735,865</b>	<b>11,548,046</b>	<b>11,529,789</b>	<b>2,360,837,000</b>
<b><u>Accumulated depreciation:</u></b>								
Balance at 1 January 2019	-	(434,484,457)	(1,098,703,766)	(459,901)	(9,898,388)	(10,842,560)	(6,983,248)	(1,561,372,320)
Depreciation charged for the year	-	(15,822,687)	(54,687,387)	(3,356)	(839,745)	(169,191)	(840,950)	(72,363,316)
Adjustments and reclassification	-	-	66	-	(198)	132	-	-
Disposal	-	-	-	-	-	14,300	90,683	104,983
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>(450,307,144)</b>	<b>(1,153,391,087)</b>	<b>(463,257)</b>	<b>(10,738,331)</b>	<b>(10,997,319)</b>	<b>(7,733,515)</b>	<b>(1,633,630,653)</b>
<b><u>Net book value:</u></b>								
<b>At 31 December 2019</b>	<b>10,507,750</b>	<b>262,175,191</b>	<b>448,172,345</b>	<b>6,526</b>	<b>1,997,534</b>	<b>550,727</b>	<b>3,796,274</b>	<b>727,206,347</b>

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**7- PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

7-1 The Company obtained a mining concession in the Jabal Al-Quwaiter area, north of Buraidah, on which the Company's buildings, machines and facilities were built, according to Royal Decree No. M/9, dated 4/3/1398H, for a period of (30) Hijri years, renewable if the Company so desired in return for an annual fee. The license to exploit the limestone was renewed according to Ministerial Resolution No. 93 / s dated 10/17/1428, which is valid for 30 years, starting from 03/03/1428.

7-2 Depreciation for the year was allocated as follows:

	<u>Note</u>	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Costs of sales		<b>73,698,791</b>	71,981,372
General and administrative expenses	27	<b>294,336</b>	190,338
Selling and marketing expenses	26	<b>189,497</b>	191,606
		<b><u>74,182,624</u></b>	<u>72,363,316</u>

7-3 There are no mortgages on the property, plant and equipment owned by the Company as at 31 December 2020.

**8- PROJECTS IN PROGRESS**

As at 31 December 2020, the balance of projects in progress amounted to SR 9.61 million (2019: SR 7.19 million), which mainly represent projects of improvement of production lines and civil works.

**9- INVESTMENT PROPERTIES (LANDS)**

Investments properties represent plots of lands owned by the Company for the purpose of leasing or reselling them in the future. As at 31 December 2020, the fair value of these lands amounted to SR 20,947,980 according to an approved valuer (Qeima Aqaria), who is an independent expert certified and licensed by the Saudi Authority for Accredited Valuers (License number 1210000338). The valuation techniques used were in the second level of fair value based on the prevailing market prices of similar investments.

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Carrying value	<b>9,516,450</b>	9,516,450
Fair value	<b><u>20,947,980</u></b>	<u>20,947,980</u>

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**10- FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Investments at FVTPL - non-current (10-1)	<b>63,865,085</b>	67,027,500
Financial investments at FVTPL - current (10-2)	<b>621,178,885</b>	468,075,993

**10-1 Financial investments at FVTPL - non-current**

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Balance at the beginning of the year	<b>67,027,500</b>	34,166,990
Additions during the year	<b>4,654,940</b>	32,860,510
Unrealized losses from investments	<b>(7,817,355)</b>	-
	<u><b>63,865,085</b></u>	<u>67,027,500</u>

The above investments are represented in shares of real estate funds, and these investments are valued by funds managers at their fair value.

**10-2 Financial investments at FVTPL - current**

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Balance at the beginning of the year	<b>468,075,993</b>	66,333,472
Additions during the year	<b>550,590,821</b>	732,934,900
Disposals during the year	<b>(411,309,402)</b>	(345,694,757)
Dividends of investments at FVTPL	<b>1,901,727</b>	6,525,244
Unrealized gains on investments at FVTPL	<b>11,919,746</b>	7,977,134
	<u><b>621,178,885</b></u>	<u>468,075,993</u>

- The above investments represent shares of commodity trading funds and trading finance funds with financial companies, and they are valued at fair value.
- The above investments included transactions with related parties that represent an investment in Ijara funds for the benefit of NBK Wealth Management. The type of relationship is the participation of the Chairman of the Company in chairing the Board of Directors of NBK Wealth Management. As at 31 December 2020, the balance amounted to SR 32 million (31 December 2019: SR 19.5 million) and unrealized gains year ended 31 December 2020 amounted to SR 1.2 million (31 December 2019: Nil).

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**11- TERM MURABAHA**

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Balance at the beginning of the year	330,129,199	530,000,000
Additions during the year	225,000,000	463,002,734
Disposals during the year	<u>(305,129,199)</u>	<u>(662,873,535)</u>
	<u>250,000,000</u>	<u>330,129,199</u>

Term Murabaha as at the end of the year was classified as follows:

Non-current portion of term Murabaha (*)	100,000,000	100,000,000
Current portion of term Murabaha	150,000,000	230,129,199

The above investments are represented in Murabaha compliant with the provisions of Sharia', and a return is due. The average commission is 4.64% annually (2019: 4.76%). During the year ended 31 December 2020, total Murabaha revenue amounted to SR 12.4 million has been charged to the statement of profit or loss (31 December 2019: SR 16.2 million).

(\*) Non-current portion of term Murabaha due on December 2022.

**12- LEASES**

**a) Right-of-use assets:**

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
<b>Balance at the beginning of the year</b>	-	-
<b>Additions during the year</b>	2,937,209	-
<b>Depreciation during the year</b>	<u>(122,384)</u>	<u>-</u>
	<u>2,814,825</u>	<u>-</u>

Right-of-use assets represent the present value of the discounted payments of a long-term car rental contract signed with Al-Jomaih Company on 07/09/2020, which is extended for a period of four years, with a total value of SR 3,281,040. The discount rate used is 5.5%.

**b) Lease liabilities**

Lease liabilities have been presented in statement of financial position as follows:

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
<b>Long-term lease liabilities</b>	2,007,078	-
<b>Short-term lease liabilities</b>	<u>820,260</u>	<u>-</u>
	<u>2,827,338</u>	<u>-</u>

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**13- INVENTORIES**

Inventories as at December 31 comprise the following:

	<u><b>31 December</b></u> <u><b>2020</b></u>	<u><b>31 December</b></u> <u><b>2019</b></u>
Spare parts	111,134,367	116,761,295
Raw materials	19,130,220	29,231,171
Work in progress	183,515,635	203,288,230
Finished goods	3,680,467	6,031,241
Packing materials	3,333,593	2,108,350
Consumables and supplies	3,465,919	3,238,125
Goods-in-transit	2,445,689	297,143
	<u><b>326,705,890</b></u>	<u><b>360,955,555</b></u>
Less: Provision for obsolete and slow-moving inventories	<u><b>(31,029,440)</b></u>	<u><b>(21,800,733)</b></u>
	<u><b>295,676,450</b></u>	<u><b>339,154,822</b></u>

Movement in provisions for obsolete and slow-moving inventories is as follows:

	<u><b>31 December</b></u> <u><b>2020</b></u>	<u><b>31 December</b></u> <u><b>2019</b></u>
Balance at the beginning of the year	21,800,733	18,383,752
Provided during the year (*)	12,101,753	7,436,441
Utilized during the year	<u><b>(2,873,046)</b></u>	<u><b>(4,019,460)</b></u>
	<u><b>31,029,440</b></u>	<u><b>21,800,733</b></u>

During the year ended 31 December 2020, the Company established an allowance for inventory of slow moving spare parts and raw materials in the amount of SR 7.25 million (31 December 2019: SR 7.44 million), in addition to a provision for impairment of clinker inventory during the year ended 31 December 2020 in the amount of SR 4.85 million (31 December 2019: Nil).

**14- TRADE RECEIVABLES, NET**

a) Trade receivables comprise the following:

	<u><b>Note</b></u>	<u><b>31 December</b></u> <u><b>2020</b></u>	<u><b>31 December</b></u> <u><b>2019</b></u>
Trade receivables		52,363,670	35,714,564
Less: Allowance for expected credit losses		<u><b>(10,410,757)</b></u>	<u><b>(3,277,897)</b></u>
		<u><b>41,952,913</b></u>	<u><b>32,436,667</b></u>

b) Movement in provision for expected credit losses on trade receivables is as follows:

	<u><b>Note</b></u>	<u><b>31 December</b></u> <u><b>2020</b></u>	<u><b>31 December</b></u> <u><b>2019</b></u>
Balance at the beginning of the year		3,277,897	2,569,324
Provided during the year		<u><b>7,132,860</b></u>	<u><b>708,573</b></u>
		<u><b>10,410,757</b></u>	<u><b>3,277,897</b></u>

Additional information related to credit and market risk exposures is disclosed in Note (34).

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**15- PREPAID EXPENSES AND OTHER RECEIVABLES**

Prepaid expenses and other receivables comprise the following:

	<u>Note</u>	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Accrued recoverable investments (*)		46,625,595	-
Advance payments under an investment account		25,250,000	-
Advances to suppliers		6,501,448	4,996,663
Pre-paid expenses		3,494,095	3,599,667
Revenue receivable		2,068,140	3,006,522
Employees' receivables		1,058,940	868,224
Refundable customs deposits		757,582	313,260
Car ownership program for staff		-	36,598
Other debit balances		567,016	982,820
		<u>86,322,816</u>	<u>13,803,754</u>
Less: Allowance for expected credit losses		<u>(627,784)</u>	<u>(311,031)</u>
		<u>85,695,032</u>	<u>13,492,723</u>

Movement in provision for expected credit losses on other receivables is as follows:

	<u>Note</u>	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Balance at the beginning of the year		311,031	1,539,949
Provided during the year		357,951	140,379
Utilized during the year		<u>(41,198)</u>	<u>(1,369,297)</u>
		<u>627,784</u>	<u>311,031</u>

(\*) The accrued recoverable investments represent the remaining amounts from the disposal of financial investments at FVTPL and have not yet been collected.

**16- CASH AND CASH EQUIVALENTS**

	<u>Note</u>	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Cash in hand		20,996	355,156
Cash at banks in local currency		65,407,526	60,585,167
Cash at banks in foreign currencies		1,465,064	1,504,777
		<u>66,893,586</u>	<u>62,445,100</u>

**17- SHARE CAPITAL**

The authorized and paid up share capital of the Company is SR 900 million divided into 90 million shares of SR 10 each.

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**18- STATUTORY RESERVE**

In accordance with the requirements of the Regulations for Companies and the Bylaws, the Company set aside (10%) of the annual net income until the forty extraordinary general assembly decided to amend the Company's Bylaws on 30 Rabi` I 1438H (corresponding to 29 December 2016) in accordance with the new Regulations for Companies 1437/2015.

It also decided to transfer an amount of SR 150,148,023 from the statutory reserve to retained earnings and to stop setting aside a percentage of the net income to the statutory reserve. Thus, the balance of the statutory reserve as at 31 December 2020 represents (30%) of the paid-up capital. This balance is not distributed as dividends.

**19- PROVISION FOR REHABILITATION OF AREAS SUBJECT TO FRANCHISE LICENSE**

The provision for the rehabilitation of areas subject to a franchise license represents the present value of the expected cost of re-settlement of the Company's franchise site. Movement in provision for rehabilitation of areas subject to franchise license is as follows:

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Balance at the beginning of the year	11,018,636	9,993,262
Finance costs for rehabilitation of areas subject to franchise license	992,221	1,025,374
	<u>12,010,857</u>	<u>11,018,636</u>

**20- EMPLOYEES' BENEFITS OBLIGATIONS**

a) Movement in the employees' benefits obligation is as follows:

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Balance at the beginning of the year	35,544,061	31,549,144
Additions during the year (*)	4,311,093	4,205,423
Payments made during the year	(3,194,802)	(2,734,426)
Actuarial losses from re-measurement of employees' benefits obligations	3,394,480	2,523,920
	<u>40,054,832</u>	<u>35,544,061</u>

(\*) The additions (current service cost and interest expense) were distributed as follows:

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Cost of sales	3,270,360	3,094,201
General and administrative expenses	679,393	753,052
Selling and marketing expenses	361,340	358,170
	<u>4,311,093</u>	<u>4,205,423</u>

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**20- EMPLOYEES' BENEFITS OBLIGATIONS (CONTINUED)**

b) The significant actuarial assumptions used by an independent external actuary are as follows:

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Discount rate	2.208%	3.075%
Salary increase rate	3.5%	3.5%
Employees' turnover rate	Medium	Medium

c) Sensitivity in defined benefit obligation

		<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Change in salary rate	Base		
	1% increase	42,903,324	33,058,911
	1% Decrease	37,492,213	28,669,858
Discount rate	Base		
	1% increase	37,618,896	28,802,795
	1% Decrease	42,814,438	32,951,448
Assumption of a statistical study of employees			
Membership data			
Employees average entry age (years)		41	40
Average years of past service		8.6	8.8

**21- TRADE AND OTHER ACCOUNTS PAYABLES**

Trade and other payables comprise the following:

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Trade payables	18,301,405	16,427,503
Accrued expenses	39,140,347	39,946,893
Accrued quarry fees	26,847,297	22,917,340
Advances from customers	8,639,625	5,908,514
Retention payable	6,630,834	3,961,991
VAT payable	8,019,313	2,666,786
Accrued withholding tax	2,328	196,469
Other payables	3,715,952	699,731
	<u>111,297,101</u>	<u>92,725,227</u>



**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**22- ZAKAT PROVISION**

a) Zakat base of the Company comprises the following:

	<u><b>31 December</b></u> <u><b>2020</b></u>	<u><b>31 December</b></u> <u><b>2019</b></u>
Equity at beginning of the year	<b>1,784,834,935</b>	1,380,300,193
Additions	<b>183,746,969</b>	151,545,172
Deductions	<b>(1,285,923,640)</b>	(960,670,307)
Basis for calculation of Zakat	<b>682,658,264</b>	571,175,058
Adjusted net income for the year subject to Zakat	<b>483,770,395</b>	440,122,624
	<b><u>1,166,428,659</u></b>	<u>1,011,297,682</u>
Zakat base (equity method) (a)	<b>1,166,428,659</b>	1,011,297,682
Zakat base (adjusted net income) (b)	<b>483,770,395</b>	440,122,624
Zakat payable, higher of (a) or (b)	<b>29,691,030</b>	25,282,442
Less: carried forward balance from previous periods	<b>-</b>	(682,442)
Zakat charge made during the year	<b>29,691,030</b>	24,600,000

b) Movement in Zakat Provision during the year is as follows:

	<u><b>31 December</b></u> <u><b>2020</b></u>	<u><b>31 December</b></u> <u><b>2019</b></u>
Balance at the beginning of the year	<b>25,282,442</b>	23,330,753
Provided during the year	<b>29,691,030</b>	24,600,000
Repayments during the year	<b>(25,895,940)</b>	(22,648,311)
	<b><u>29,077,532</u></b>	<u>25,282,442</u>

c) Zakat status:

The Company obtained the Zakat certificate for the year 2019 from the General Authority of Zakat and Tax (GAZT).

d-1) Zakat

The Company has filed all due zakat declarations up to the year ended 31 December 2019. On 2 Sha'aban 1441H (corresponding to 26 March 2020), the Company has obtained a final certificate for the year ended 31 December 2019 to enable it to complete all its transactions, including the payment of its final accruals for contracts under the initiatives of GAZT in support of the private sector in light of the impacts associated with the outbreak of Coronavirus.

The Company has finalized Zakat assessment with 2018 up to the financial year ended 31 December 2007, and received final certificates from GAZT up to this date. The Company also received restricted certificates for the years from 2008 to 2018.

Despite of that, the Company received a letter from GAZT on 16 Rabi' II 1437H (corresponding to 26 January 2016) stating that there is an additional assessment for the period from 2003 to 2007 amounting to SR 4.353.758.

The Company has filed an objection against the additional assessment memorandum on 13 Jumada' II 1437H (corresponding to 22 March 2016), and a decision of the third Primary appeal committee for Zakat & Tax in Riyadh No. (3) for the year 1439H dated 5 Safar 1439H (corresponding to 25 October 2017) was issued to support Company's stand to not reopen the additional Zakat assessment for the aforementioned years.

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**22- ZAKAT PROVISION (CONTINUED)**

Further, the Company received through the electronic system “ERAD” on 10 Jumada’ I 1438H (corresponding to 7 February 2017) amended zakat declarations for the years from 2008 to 2014 based on the results of the field investigation.

The Company, on 5 Sha’aban 1438H (corresponding to 1 May 2017), paid the differences for the years from 2009 to 2014. It has filed an objection to the differences resulting from the amendment of the declaration for the fiscal year ended 31 December 2008 amounted to SR 9.432.885 during the permitted statutory time through an external advisor.

The Company attended a hearing session on Sunday 20 Sha’aban 1439H (corresponding to 6 May 2018) before the third preliminary Zakat and tax objection committee in Riyadh to discuss the objection and the Company obtained the decision of the aforementioned committee on 5 Dhul 1439H (corresponding to 18 July 2018) which supported the Company's opinion on all the items except for its objection to the item of payables.

GAZT has partially appealed the decision. The appeal is currently being reviewed by the General Secretariat of Tax Committees.

As for the years from 2015 through 2018, the Company has submitted Zakat returns and financial statements for those years, paid Zakat due accordingly and obtained a restricted certificate for 2018.

During the year 2020, GAZT also has reviewed the Zakat returns filed for that period. Based on the review outcomes, GAZT issued letters of amendment on 11 Rabi` I 1442H (corresponding to 28 October 2020), whereby the Company paid the undisputed due differences of SR 596,609. The Company also filed a partial objection on 30 Rabi` II 1442H (corresponding to 15 December 2020) with a total amount of SR 1,533,328 in relation to the 2015 and 2018 amendments.

**d-2) Value Added Tax (VAT)**

Since the implementation of the value-added tax system on 01/01/2018 until 31/12/2020, the Company has filed monthly VAT returns during the statutory period and has paid tax amount due.

The Company has benefited from the adjourning the payment of the value-added tax for several months as part of GAZT initiatives that support private sector in light of the impacts associated with COVID-19 outbreak.

The Company has updated its systems and procedures to comply with the application of increase of value-added tax rate to 15% as of 1 July 2020, and in light of the transitional provisions issued by GAZT.

**23- OTHER PROVISIONS**

	<u><b>31 December</b></u> <u><b>2020</b></u>	<u><b>31 December</b></u> <u><b>2019</b></u>
Provision for incentive program for dedicated customers	<b>14,554,011</b>	15,258,038
Provision for legal claims and objections	<b>23,850,526</b>	29,023,826
Provision for donations and social responsibility	<b>5,000,000</b>	-
	<u><b>43,404,537</b></u>	<u><b>44,281,864</b></u>

Movement in other provisions during the year is as follows:

	<u><b>31 December</b></u> <u><b>2020</b></u>	<u><b>31 December</b></u> <u><b>2019</b></u>
Balance at the beginning of the year	<b>44,281,864</b>	3,010,526
Utilized during the year	<b>(1,733,490)</b>	-
Reversal during the year	<b>(4,143,837)</b>	-
Provided during the year	<b>5,000,000</b>	41,271,338
	<u><b>43,404,537</b></u>	<u><b>44,281,864</b></u>

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**24- REVENUES AND COST OF SALES**

- No other revenue classifications have been disclosed as the entire amount of revenue is a result of cement sales within the Kingdom of Saudi Arabia and there are no other products for the Company, and there is no key difference between the selling prices or the production cost of the two types of bulk or packed cement.

The Company also sells its entire products through distributors. The sale takes place at a point in time and not over time.

- The cost of sales represent mainly the cost of raw materials, electricity, spare parts and consumables.

**25- DIVIDENDS**

On 4 Jumada' II 1441H (corresponding to 29 January 2020), the Board of Directors decided to distribute cash dividends to shareholders in a total amount of SR 99 million at SR 1.10 per share for the fourth quarter of 2019, representing 11% of the face value of the share.

On 11 Jumada' II 1441H (corresponding to 4 March 2020), the Ordinary General Assembly of the Company's shareholders at its forty-fifth meeting decided to approve the decisions of the Board of Directors issued during 2019 regarding the distribution of dividends to the shareholders in the amount of SR 310.5 million at SR (3.45) per share for 2019.

On 11 Ramadan 1441H (corresponding to 4 May 2020), the Board of Directors decided to distribute cash dividends to shareholders in a total amount of SR 90 million at SR 1 per share for the first quarter of 2020, representing 10% of the face value of the share.

On 4 Muharram 1442H (corresponding to 23 August 2020), the Board of Directors decided to distribute cash dividends to shareholders in a total amount of SR 90 million at SR 1 per share for the second quarter of 2020, representing 10% of the face value of the share.

On 15 Rabi' I 1442H (corresponding to 1 November 2020), the Board of Directors decided to distribute cash dividends to shareholders in a total amount of SR 112.5 million at SR 1.25 per share for the third quarter of 2020, representing 12.5% of the face value of the share.

Movement in dividends payable during the year is as follows:

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Balance at the beginning of the year	<b>63,671,200</b>	107,470,848
Announced during the year	<b>391,500,000</b>	211,500,000
Payment made during the year	<b>(387,663,204)</b>	(255,299,648)
	<b><u>67,507,996</u></b>	<u>63,671,200</u>

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**26- SELLING AND MARKETING EXPENSES**

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

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Salaries, wages and equivalents	6,044,240	5,631,596
Other employees' benefits and medical insurance	529,338	534,973
Assignments and business trips costs	160,885	157,727
Maintenance and fuel	285,654	247,308
Depreciations	189,497	191,606
Stationery and publications	145,071	130,098
Other charges	74,640	69,281
Communications	8,609	7,191
Expenses charged from cost of common service centers	3,198,507	2,999,194
Incentive program expenses	-	15,258,038
	<u>10,636,441</u>	<u>25,227,012</u>

**27- GENERAL AND ADMINISTRATIVE EXPENSES**

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

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Salaries, wages and equivalents	15,834,397	11,229,056
Other employees' benefits and medical insurance	525,715	572,268
Training, assignments and business trips costs	110,840	186,865
Board of Directors' remuneration	2,701,918	2,800,000
Remuneration of committee members from outside the board of directors	398,356	300,000
Allowance to attend meeting of the Board of Directors and Committees	367,000	373,000
Maintenance, fuel and electricity	139,284	150,101
Listing and deposit center fees	739,255	677,335
Depreciations	294,336	190,338
Legal and financial consultancy	2,838,052	496,757
Donations and social responsibility	260,705	321,707
Telecommunication and postage	39,214	30,284
Bank commissions	188,232	154,911
Stationery and publications	108,662	95,332
Insurance expense	41,328	14,825
Out-of-pocket expenses	79,981	47,783
Expenses charged from cost of common service centers	3,158,211	2,737,544
Allowance for expected credit losses of accounts receivables expenses	357,951	140,379
Donation allowance	5,000,000	-
	<u>33,183,437</u>	<u>20,518,485</u>

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**28- OTHER INCOME, NET**

Other income, net for the year ended 31 December comprises the following:

	<u><b>31 December</b></u> <u><b>2020</b></u>	<u>31 December</u> <u>2019</u>
Compensations	239,617	325,407
Revenue from sale of cement dust	324,951	559,130
Rental income	819,886	823,508
Other income*	4,322,018	921,250
Reversal of provisions and expenses reimbursements	4,143,838	832,130
	<u><u><b>9,850,310</b></u></u>	<u><u>3,461,425</u></u>

\* Other income includes an amount of SR 3.2 million (2019: Nil), which is discounts granted by SEC for April and May of 2020.

**29- OTHER EXPENSES, NET**

Other expenses, net for the year ended 31 December comprises the following:

	<u><b>31 December</b></u> <u><b>2020</b></u>	<u>31 December</u> <u>2019</u>
Claims and objections expenses	-	26,013,300
Adjustments for projects in progress	-	1,734,927
	<u><u>-</u></u>	<u><u>27,748,227</u></u>

**30- CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

As at 31 December 2020, the Company has bank facilities in the form of letters of guarantee and letters of credit from commercial banks of SR 20 million (31 December 2019: SR 21 million).

Furthermore, the capital commitments of the Company as at 31 December 2020 amounted to SR 4.2 million (31 December 2019: SR 5.5 million). As at 31 December 2020, the total value of existing project contracts amounted to SR 13.8 million (31 December 2019: SR 10.8 million).

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**31- SEGMENT INFORMATION**

The Company's activities mainly represent two operating sectors: the first one is the manufacturing and selling of cement and it is mainly sold to local customers, and the second is the investing sector. The Company's segment information is divided into units as follows:

a) Financial information for revenues and profits for sectors for the year ended 31 December 2020 and 2019 is as follows:

	<u>Operating segment</u>		<u>Investment sector</u>	
	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Revenue from contracts with customer	<b>898,421,860</b>	791,793,487	-	-
Income for the period before Zakat	<b>431,109,582</b>	354,676,697	<b>18,416,571</b>	30,658,398

b) Financial information for revenues and profits for sectors for the year ended 31 December 2020 and 2019 is as follows:

	<u>Operating segment</u>		<u>Investment sector</u>	
	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Total assets	<b>1,180,224,452</b>	1,191,438,324	<b>935,043,970</b>	865,232,692
Total liabilities	<b>306,180,193</b>	272,523,430	-	-

**32- BASIC AND DILUTED EARNINGS PER SHARE**

Basic earnings per share was calculated by dividing the distributable income for the year among the shareholders who own the ordinary shares of the Company by the weighted average number of ordinary shares outstanding during the year.

The diluted earnings per share are the same as the basic earnings per share as the company has no diluted instruments.

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Net income for the year	<b>419,835,123</b>	360,735,095
Weighted average number of shares	<b>90,000,000</b>	90,000,000
Basic and diluted earnings per share	<b>4,66</b>	4,01

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**33- DISCLOSURES OF RELATED PARTY PARTIES**

Related parties represent major shareholders, members of the Board of Directors of the Company, key management personnel of the Company, and entities managed or a significant influence is exercised over them by these parties.

**Key management personnel remuneration**

The remuneration of the board of directors and other key management personnel charged during the year are as follows:

	<u><b>31 December</b></u> <u><b>2020</b></u>	<u><b>31 December</b></u> <u><b>2019</b></u>
Salaries and short-term benefits - KMP	<b>11,490,130</b>	9,309,683
Post-employment benefits - KMP	<b>675,279</b>	660,866
Board of Directors and committees' remuneration and allowances	<b>3,467,274</b>	3,473,000
	<u><b>15,632,683</b></u>	<u>13,443,549</u>

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**34- FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT**

**a) Fair value measurement of financial instruments**

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximate of fair value.

	31 December 2020							
	Carrying value			Total	Fair value			Total
Fair value	Amortized cost	Other financial liabilities	Level 1		Level 2	Level 3		
<b>Financial assets at fair value:</b>								
FVTPL	685,043,970	-	-	685,043,970	298,590,120	290,542,230	95,911,620	685,043,970
	<b>685,043,970</b>	<b>-</b>	<b>-</b>	<b>685,043,970</b>	<b>298,590,120</b>	<b>290,542,230</b>	<b>95,911,620</b>	<b>685,043,970</b>
<b>Financial assets at amortized cost:</b>								
Term Murabaha	-	250,000,000	-	250,000,000	-	-	-	-
Accounts and other receivable	-	41,952,913	-	41,952,913	-	-	-	-
Cash and cash equivalents	-	66,893,586	-	66,893,586	-	-	-	-
	<b>-</b>	<b>358,846,499</b>	<b>-</b>	<b>358,846,499</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities not measured at fair value:</b>								
Trade payables	-	-	18,301,405	18,301,405	-	-	-	-
Accrued expenses and other payables	-	-	92,995,696	92,995,696	-	-	-	-
	<b>-</b>	<b>-</b>	<b>111,297,101</b>	<b>111,297,101</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**34- FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)**

**a) Fair value measurement of financial instruments (continued)**

	31 December 2019							
	Carrying value				Fair value			
	Fair value	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value:								
FVTPL	535,103,493	-	-	535,103,493	165,801,576	282,748,547	86,553,370	535,103,493
	<u>535,103,493</u>	<u>-</u>	<u>-</u>	<u>535,103,493</u>	<u>165,801,576</u>	<u>282,748,547</u>	<u>86,553,370</u>	<u>535,103,493</u>
Financial assets at amortized cost:								
Term Murabaha	-	330,129,199	-	330,129,199	-	-	-	-
Accounts and other receivable	-	32,436,667	-	32,436,667	-	-	-	-
Cash and cash equivalents	-	62,445,100	-	62,445,100	-	-	-	-
	<u>-</u>	<u>425,010,966</u>	<u>-</u>	<u>425,010,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value:								
Trade payables	-	-	16,427,503	16,427,503	-	-	-	-
Accrued expenses and other payables	-	-	76,297,724	76,297,724	-	-	-	-
	<u>-</u>	<u>-</u>	<u>92,725,227</u>	<u>92,725,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**34- FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT**  
**(CONTINUED)**

**a) Fair value measurement of financial instruments (continued)**

There were no transfers between the levels of fair value hierarchies during the year.

Level 1 consists of investments in local portfolios, as they are traded in a recognized financial market at their most recent quoted prices.

Level 2 consists of investments in both local and international portfolios. Investments in unlisted mutual funds are valued using unadjusted net asset value or when units in the fund are redeemable on the basis of net asset value, at the measurement date, as appropriate.

Level 3 consists of investments in both local and international funds. Investments in local and international mutual funds and real estate funds, managed by the Company, are valued at fair value based on the latest net asset values reported by the fund managers.

**b) Risk management**

The Company's overall risk management program focuses on the unpredictable fluctuations in financial markets and aims to minimize potential negative impacts on the Company's financial performance.

**Financial risk management framework**

Risk management policy is carried out by the senior management under policies approved by the Board of Directors.

Senior management identifies, evaluates and hedges 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 an overall responsibility for the 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 teamwork conducts meetings on a regular basis, and any changes or matters related to compliance with policies are reported to the Board of Directors through the Audit Committee.

The risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Company's activities.

Through training, management standards and procedures, the Company aims to develop a responsible and constructive control environment so that all employees are aware of their roles and responsibilities.

The Risk Committee oversees the management's compliance 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 included in the statement of financial position include cash and cash equivalents, trade and other receivables, financial assets, trade and other payables.

The recognition methods used are disclosed in the individual policy statement for each item.

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**34- FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT**  
**(CONTINUED)**

The Company has exposure to the following risks from its use of financial instruments:

- a) Credit risk
- b) Liquidity risk
- c) Market risk

**a) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligations and arises principally from the Company's trade receivables and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure.

**Bank balances and trade receivables**

The cash and cash equivalents of the Company are deposited in public accounts with local banks with good credit ratings.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each individual customer.

However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry.

The management also continues to monitor the credit risk of its customers and creates a provision for doubtful balances.

The existing customer balances are continuously monitored.

Cash and cash equivalents are placed with national banks with sound credit ratings.

Trade and other receivables are due mainly from customers in the local market.

Most customer balances are secured by valid bank letters of guarantee at local banks with high credit ratings.

Trade and other receivables have been shown at their estimated recoverable value.

Management takes into account available and supportive forward-looking information such as:

- a) Significant actual or anticipated changes in the business.
- b) Significant actual or anticipated changes in the operating results of the counterparty.
- c) Financial or economic conditions that are expected to cause a significant change in the counterparty's ability to fulfill its obligations.
- d) Significant increase in the credit risk of other financial instruments of the same counterparty.
- e) Significant changes in the value of the collateral in support of the obligation or in the quality of counterparty guarantees or credit improvements.

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**34- FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT**  
**(CONTINUED)**

**a) Credit risk (continued)**

The Company establishes an allowance for expected credit losses, which amounted to SR 10,410,757 as at 31 December 2020.

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

<u>Period</u>	<u>31 December 2020</u>		<u>31 December 2019</u>	
	<u>Balance</u>	<u>Impairment</u>	<u>Balance</u>	<u>Impairment</u>
Not past due and not impaired	25,240,695	-	16,517,482	-
0 - 60 days	14,820,200	7,134,266	8,375,405	301,213
61 - 90 days	3,790,679	604,304	2,824,428	16,298
More than 90 days	8,512,096	2,672,187	7,997,249	2,960,386
	<u>52,363,670</u>	<u>10,410,757</u>	<u>35,714,564</u>	<u>3,277,897</u>

Management believes that the impaired amounts that are past due by more than 30 days are still collectible in full, based on historical payments behavior and extensive analysis of customers credit risk, including underlying customers' credit ratings if they are available.

**b) Liquidity risk**

Liquidity risk is the difficulties that an entity will encounter in raising funds to meet commitments related to financial instruments.

Liquidity risk may result from the inability to sell financial assets quickly at an amount close to its fair value.

Liquidity risk is managed by monitoring liquidity on an ongoing basis and ensuring that sufficient financial resources are in place.

Concentration in liquidity risk may arise from terms of repayment of financial obligations, sources of financing, or reliance on a specific market to obtain liquid assets.

The following are the contractual maturities of the financial liabilities at the end of the period, presented in gross and undiscounted amounts.

<u>2020</u>	<u>Total carrying amount</u>	<u>Less than 3 months</u>	<u>3-12 months</u>	<u>1-5 Years</u>	<u>Accrued interests for future periods</u>	<u>Total contractual maturity</u>
Accounts payable	18,301,405	18,301,405	-	-	-	18,301,405
Accrued expenses and other payables	92,995,696	-	92,995,696	-	-	92,995,696
Dividend payable	67,507,996	-	67,507,996	-	-	67,507,996
Lease liability	2,827,338	166,713	514,173	2,146,452	316,992	3,144,330
Other provisions	43,404,537	-	43,404,537	-	-	43,404,537
	<u>225,036,972</u>	<u>18,468,118</u>	<u>204,422,402</u>	<u>2,146,452</u>	<u>316,992</u>	<u>225,353,964</u>

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**34- FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT**  
**(CONTINUED)**

**b) Liquidity risk (continued)**

2019	Total carrying amount	Less than 3 months	3-12 months	1-5 Years	Accrued interests for future periods	Total contractual maturity
Accounts payable	16,427,503	16,427,503	-	-	-	16,427,503
Accrued expenses and other payables	76,297,724	-	76,297,724	-	-	76,297,724
Dividend payable	63,671,200	-	63,671,200	-	-	63,671,200
Other provisions	44,281,864	-	44,281,864	-	-	44,281,864
	<u>200,678,291</u>	<u>16,427,503</u>	<u>209,533,230</u>	<u>-</u>	<u>-</u>	<u>200,678,291</u>

As at 31 December 2020, the Company maintains cash and cash equivalents of SR 66.89 million (31 December 2019: SR 62.45 million).

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

**Capital management**

The Company's objectives 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 sustainable development of its business.

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

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Total liabilities	<b>306,180,193</b>	272,523,430
Less: cash and cash equivalents	<b>(66,893,586)</b>	(62,445,100)
<b>Net liabilities</b>	<b><u>239,286,607</u></b>	<u>210,078,330</u>
Total equity	<b><u>1,809,088,229</u></b>	1,784,147,586
<b>Net liabilities to equity</b>	<b><u>0.13</u></b>	<u>0.12</u>

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**34- FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT**  
**(CONTINUED)**

**c) Market risk**

Market risk is the risk of possible impact of changes in market prices, such as foreign exchange rates and commission rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**Foreign currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in currency foreign exchange rates.

Since the Saudi Riyal is pegged against the US Dollar, there are no significant currency risks.

The Company's management monitors the changes in foreign currency exchange rates and believes that foreign currency risks are insignificant.

**Commission rate risk**

Commission rate risk arises from the possibility that changes in market commission rates will affect future profitability or the fair value of the financial instruments.

The Company monitors the fluctuations in commission rates and believes that the effect of the commission rate risk is not material.

**35- NON-CASH TRANSACTIONS**

The most important non-cash transactions for the purposes of preparing the statement of cash flows are as follows:

<b>Significant non-cash transactions</b>	<b>Note</b>	<b><u>31 December</u></b> <b><u>2020</u></b>	<b>31 December</b> <b><u>2019</u></b>
Transferred from projects in progress to property, plant and equipment	11	<b>8,827,578</b>	2,503,399
Transfers of spare parts for machines from spare parts inventories		<b>1,044,520</b>	11,787,729
Adjustment of projects in progress within expenses		<b>30,060</b>	1,741,230
Amendment of projects in progress within payable balances		-	200,000
Due from sale of investments at FVTPL		<b>46,625,595</b>	-
Additions of right-of-use assets against lease liabilities		<b>2,937,209</b>	-
Actuarial loss on employee benefits		<b>(3,394,480)</b>	(2,523,920)

**QASSIM CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 December 2020  
(Saudi Riyals)

**36- SIGNIFICANT EVENTS**

The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread globally including the Kingdom of Saudi Arabia, causing disruptions to many businesses and economic activities.

However, the Company continued to operate while considering the health and safety of its workforce.

The Company's management has assessed its ability to continue as a going concern, and it believes that the Company has sufficient resources to continue its business in the foreseen future.

Moreover, the management does not have any significant doubts on the ability of the Company to continue as a going concern.

Accordingly, the Company is still preparing the financial statements on the going concern basis.

The management of the Company is currently monitoring the situation and its impact on the Company's operation, cash flows and financial position.

Management believes, based on their assessment, that the Company has sufficient liquidity available to continue to meet its financial commitments as and when they become due.

**37- APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the Board of directors on 21 Jumada' II 1442H (corresponding to 03 February 2021).