







Custodian of the Two Holy Mosques
King Salman bin Abdulaziz Al Saud



His Royal Highness Prince

Mohammed bin Salman bin Abdulaziz Al Saud

Crown Prince, Deputy Prime Minister and Minister
of Defense



In the Name of Allah, the Most Beneficent, the Most Merciful

Report of the Board of Directors to the Shareholders of City Cement Company

For the Fiscal Year Ended 31/12/2020

Presented to the General Assembly of the Company

Dear shareholders,

The Company's Board of Directors is pleased to present to you its annual report on the performance and business results of your company for the fiscal year 2020.

Board of Directors



Board Chairman
HRH Prince
Abdulaziz bin Mishaal bin Abdulaziz Al Saud



Board Member
**Mohammed bin Hikmat
Al-Zaiem**



Board Member & CEO
**Majid bin Abdurrahman Al-
Osailan**



Vice Chairman & Managing Director
Badr bin Omar Alabdullatif



Board Member
**Mohammed bin Saad
Al-Moajil**



Board Member
**Omar bin Hamad
Al-Mishaal**



Board Member
Saleh bin Sulaiman Al-Rajhi

Board Report

1. Company's Business Activity

City Cement Company (CCC) produces cement of various kinds in its Marat plant with an annual production capacity of 3.65 MT.

2. Company's Business Results

1-Sales & Profits:

The volume of cement sold during 2020 amounted to 2.93 MT, compared to 2.69 MT in 2019, an increase of 8.92% attributable to increased demand for cement.

CCC was able to make good profits despite competition. 2020's gross profits amounted to SR (256.96) million, compared to SR (231.11) million in 2019, an increase of 11.18% resulting from the increase in the quantity sold. 2020's net profits totaled SR (220.49) million, compared to SR (190.09) million in 2019, an increase of 15.99% attributable to the increase in the quantity sold as well as other revenues and A slight decrease in the administrative expenses in addition to a decrease in the zakat expense.



• The chart below shows the development of net sales and net profits during the five years from 2016 to 2020:

2016-2020 Net Sales & Net Profits (SR million)

2. Production:

The plant's production of clinker in 2020 amounted to 2.021 KT (i.e. 60% of the production capacity), compared to 2.011 KT in 2019, an increase of 0.49%. Total inventory at the end of the year equaled 550 KT, compared to 1.301 KT, a decrease of 57.7%.

3. Future Outlook:

In 2020, the total demand for cement sales in the Kingdom improved, reaching 51.081 KT compared to 42.323 KT in 2019, with a growth rate of 17.14%. The Company expects that demand growth will, God willing, continue to recover in the coming year.

4. Company's Revenues Geographically Distributed:

All sales of the Company were within the Kingdom of Saudi Arabia, as shown in the geographical breakdown below:
(Saudi Riyals)

Year	Geographical Breakdown of CCC Revenue			
	Total Revenue	Central Region	Western Region	Eastern Region
2020	572,729,687	510,021,267	56,435,811	6,272,609



III. Future Projects & Plans

CCC is developing and implementing several policies and projects to rationalize costs and operating expenses and enhance its overall performance, including:

1. Alternative Fuel Project:

The Company is working to develop additional sources of alternative fuel to reduce dependency on petroleum fuels, reduce carbon emissions and preserve the environment, in line with the Kingdom's Vision 2030.

IV. Loans

The Company declares that as at 31/12/2020 the Company had no outstanding loans payable to banks or any other institutions. However, the Company has in place credit facility agreements with local banks governed by the terms and conditions of Islamic finance, totaling SR 90.743.694.

V. Subsidiaries

CCC has no subsidiaries but has two wholly-owned company branches.

Name	Main Activity	Share Capital	Country of HO & Establishment	Shareholding Percentage
CCC Contracting Branch	Specialized subcontracting	Branch	KSA	100%
Green Solutions Environmental Services Co.	Provision of environmental solutions for waste treatment	Branch	KSA	100%

VI. Statutory Payments to Government Agencies

Item	Outstanding payables till the end of the annual financial period	Paid during the year	Brief Description
Zakat	11,656,244	9,711,421	The Company is subject to the zakat and tax regulations in force in Saudi Arabia. A provision for zakat is made on an accrual basis. The Company obtained the final assessment certificates for the years 2006-2016.
VAT	45,320,158	6,955,627	The Company is subject to the zakat and tax regulations in force in Saudi Arabia. These are paid on a monthly basis within the statutory time limit based on previous month's payables.
Withholding Tax	823,735	-	
GOSI Contributions	3,016,507	253,586	The Company is subject to the Social Insurance Law. GOSI contributions are recognized on an accrual basis.
Quarrying Fees	19,466,761	18,852,705	Fees for the exploitation of raw materials are paid in respect of licenses for raw material quarries.

VII. Social Responsibility & Community Service

Social responsibility and community service are among the priorities of the Company. CCC has done, and is still doing, a great deal to support all the requirements of the neighboring areas, including sponsorships and development and awareness-raising contributions covering religious, cultural, social, sports and other walks of life. CCC is keen to contribute to everything that benefits and has added value to society and its various segments, building on strategic plans consistent with the Company's activities and the Kingdom's Vision 2030 in terms of environmental and knowledge initiatives, thus contributing to a thriving social fabric.

a) Donations and Social Contributions:

- 1. Supported Irtiqaa Program – Ministry of Education, Marat High School.
- 2. Sponsored a visit by the Governor of Riyadh Region – Marat Governorate.
- 3. Supported the Health Endowment Fund to confront COVID-19 – Ministry of Health.
- 4. Supported the Charitable Association for Rheumatic Diseases.



b) QSHE:

CCC affirms its commitment to the implementation of all requirements as per Saudi and international standards to maintain environmental integrity under the supervision and monitoring of Saudi Arabia's General Authority of Meteorology and Environmental Protection, while giving full consideration to maintaining the quality of its products. CCC has received many quality certificates and international awards, including:



SASO Quality Mark (SQM) for adherence to the highest standards of quality



Latest version of the ISO 9001:2015 Quality Management System Certification



Latest version of the ISO 14001:2015 Environmental Management System Certification



Latest version of the BS OHSAS 18001:2007 Occupational Health and Safety Management System Certification



Latest version of the EN ISO 50001:2011 Energy Management System Certification



QC 100 GOLDEN



QC 100 PLATINUM



The Green Era Award for Sustainability



Global CemFuels Award for Alternative Fuels

c) Environmental Social Governance:

Environmental social governance is defined as the environmental policy that calls for sustainable development and the management of all human, political, social, and economic activities. This concept is the basis for the attention that the Company pays to sustainable development by diversifying its energy sources. Since 2015, the Company has found solutions to rationalize the consumption of petroleum fuels and gradually substitute them with alternative fuels, and invested in a unit intended for utilizing wasted heat to generate energy with a view to producing clean energy of up to 16 megawatts, and to find alternative raw materials to reduce carbon emissions in general, so that the continued operation of all production lines is ensured and as per industry best standards and practices are implemented. Moreover, in 2020, the Company established a branch called "Green Solutions Environmental Services Company" in order to realize its vision of a sustainable environment.

In addition, CCC supports social contributions relating to the Environment:

- 1. Sponsored the Vision of Solar Energy Conference – Qassim University.
- 2. Supported MEWA's Environment Week – Shaqra Governorate.

VIII. Human Resources

With the aim of achieving its goals in terms of developing and training its human resources, CCC has adopted specialized programs for personnel selection, development and career planning to ensure that positions are filled by qualified and distinguished national competencies. CCC also encourages staff to participate positively in the development of the Company and creates a suitable working environment that promotes teamwork, while continuing to strengthen their skills and qualifications to boost their level of performance. The Company has nationalized many leadership positions and employed national personnel in several departments.

Furthermore, the Company continues to cooperate with local and global entities specialized in providing technical, managerial and marketing training services, in addition to holding in-house workshops and considering the possibility of sending national personnel on scholarships in the cement industry domain within the Kingdom and/or abroad in the future. It is worth noting that the Company is classified within the Nitaqat Green Range.

IX. Risks

As CCC pays high attention to potential risks resulting from the competition that the Company anticipates at the domestic level, it regularly reviews these risks and establish appropriate measures to address them. It should be noted that the risks described below do not include all the risks that the Company could face, for it is possible that there other risks that are not known to the Company at the present time or which the Company deems to be either rare risks or risks with little impact:

- **Operational and marketing risks:**The Company pays attention to the potential risks resulting from the competition anticipated at the local level owing to domestic cement companies' high inventories. The Company monitors and regularly reviews these and operational risks and establish appropriate measures to address and contain them and to ensure the continuity of fuel supplies from Saudi Aramco..
- **Economic risk:**The domestic and global economic situation may have a direct impact on the future business of the Company, including changes in sales performance, the level of market liquidity and financing costs, industrial recession, competition from foreign countries and manufacturers, technical development, prices

of fuel, inputs and the Company's end products, inflation, political events that could impact on corporate markets, exchange rate volatility, and product alternatives that could have an impact on the Company 's business and revenue.

- **Risks related to laws and regulations:** The running of the Company's business is governed by multiple laws and regulations. Any changes to or replacements of these laws and regulations by any government entity, regulatory body or judicial authority, or the issuance of an order ceasing the Company's business, or all or some of the Company's products, could impact on the Company's business and revenue.
- **Risk from focusing on certain customers:** Thankfully, the Company's products cover a wide range of customers. The Company depends on distributors for the distribution of its products. If any customer or a group of customers or distributers incurred losses, stopped dealing with the Company or otherwise failed to abide by the established criteria for selling the Company's products, this would impact on the Company's business and revenue.
- **Risk from the Company's geographical location and natural disasters:** All the Company's business is concentrated in one location. Any directive suspending the Company's business in this location or any natural disasters such as floods or earthquakes occurring therein would have an impact on the Company's business and revenue.
- **Risk related to mining rights:** Mining is an essential part of the Company's activity and mining rights are granted to the Company by the Saudi government's relevant authorities. If those mining rights are canceled or any restrictions imposed thereon, the Company's ability to operate the plant may be affected and as a consequence there would be serious adverse repercussions for the Company's financial position and results of operations.
- **Risk related to energy supplies:** Cement production consumes large quantities of energy, which account for a large portion of production costs. Therefore, any rise in fuel prices will have a negative impact on the Company's business, financial position and results of operations. Also, failure to secure the required amount of fuel for the second line would have an ongoing negative and substantial effect on the Company.

X. Corporate Governance

The Company applies all the provisions set out in CMA's Governance Regulations, except for those listed below:

Article	Text of the Article/Paragraph	Partially applied	Not applied	Reason for non-application
Unapplied indicative articles				
	Articles 38, 39, 41, 70, 71, 72, 76, 77, 78, 83, 85, 88, 89(3) & 95		✓	Indicative articles which will be applied when they become mandatory.
Article 87	The Ordinary General Assembly shall, upon a proposal by the Board of Directors, establish a policy that ensures a balance between its objectives and those of the community with the aim to develop the socio-economic conditions of the community.	✓		The article is indicative. Nevertheless, the Company's social contributions are approved by the Board of Directors, and work is underway to formulate the required policy.

XI. Description of Any Deviations from the Accounting Standards Adopted by the Saudi Organization for Certified Public Accountants (SOCPA)

There are no deviations from the accounting standards issued by SOCPA.

XII. (a): Names of the Members of the Current Board of Directors in its Fifth Session, Committee Members, their Current and Former Positions, Qualifications, Experience, and Board Memberships in Other Joint Stock Companies (JSCs)

Name	Title	Qualifications, Current & Former Positions, and Experience	JSC Memberships
HRH Prince Abdulaziz bin Mishaal bin Abdulaziz Al Saud	Board Chairman	Bachelor of Business Administration. Board Chairman, City Cement Co. Board Chairman, Aljouf Agricultural Co. President, Tech Services Co. President, Advanced IT Co. GM, First Building Construction, a private establishment. General supervision of several branches affiliated with his private enterprises in various business areas, services and contracting activities. Commercial agent for several US, European and Asian companies.	<ul style="list-style-type: none">City Cement Co. (Public JSC)Aljouf Agricultural Co. (Public JSC)
Badr bin Omar Alabdullatif	Vice Chairman, Managing Director & Chairman of the Executive Committee	High School Diploma. Vice Chairman of the Board of Directors, Managing Director & Chairman of the Executive Committee, City Cement Co. Board Member and Member of the Audit Committee, Alabdullatif Holding Group. GM, Alabdullatif Furniture. Board Member and Member of the Executive Committee, Future Ceramics. Chairman of the Nomination and Remuneration Committee, City Cement (formerly). Board Member, Alabdullatif Industrial Investment (formerly). Chairman of the Nomination and Remuneration Committee, Alabdullatif Industrial Investment (formerly). Chairman of the Audit Committee, Alabdullatif Industrial Investment (formerly). Assistant GM, Alabdullatif Furniture (formerly). Director of Administration & in charge of all branches countrywide (formerly). Director, Government Relations, Alabdullatif Furniture (formerly).	<ul style="list-style-type: none">City Cement (Public JSC)Alabdullatif Holding Group (Closed JSC)Future Ceramics (Closed JSC)

Majid bin Abdurrahman Al-Osailan	Board Member & CEO	Preparing for an INSEAD-accredited global GM certification. Master of Administrative Sciences from the American International University (certified by the Ministry of Higher Education and SACM). Future Managers Program, equivalent to a master's degree in banking, from Altaweel Institute. Various conferences, workshops and training courses within and outside the Kingdom in specialized administrative, financial and technical industrial disciplines / 3000+ hours (INSEAD School of Business, University of San Diego School of Business, Euromoney Institute, Oxford Business Institute, London Institute of Business, Saudi Banking Institute, Leoron International Training Center). Bachelor of Accounting, King Saud University. Member of the Saudi International Chamber of Commerce. Board Member, Ajil Financial Services. Board Member and CEO, City Cement. Member of the Executive Committee, City Cement. Board Member, Saudi Makamin Holding Co. (formerly). Board Member, Alabdullatif Industrial Investment. Chairman of the Audit Committee, Alabdullatif Industrial Investment. Board Member, Natural Gas Distribution Co. Member of the Executive Committee, Natural Gas Distribution Co. Member of the Audit Committee, Murabaha Installment Co. (formerly). Head of Finance, Administration & IT, City Cement (formerly). Head of Finance, City Cement (formerly). Corporate Banking Department, Riyadh Bank (formerly). Credit & Risk Department, Riyadh Bank (formerly). Accounting Dept., Fransi (formerly).	<ul style="list-style-type: none">Ajil Financial Services (Closed JSC)City Cement (Public JSC)Alabdullatif Industrial Investment (Public JSC)Natural Gas Distribution Co. (Closed JSC)
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Mohammed bin Saad Al-Moajil	Board Member	<p>Bachelor of Business Administration & Marketing (Honors), American University in Dubai, UAE.</p> <p>Master of Business Administration, Stanford University, USA.</p> <p>Board Member, City Cement.</p> <p>Board Member & Chairman of the Investment Committee, Tech Investment Co.</p> <p>Board Member and Chairman of the Executive & Investment Committees, Dhahran International Exhibitions Company (Dhahran Expo).</p> <p>Member of the Saudi British Business Council.</p> <p>Member of the Saudi Irish Business Council.</p> <p>Board Member and Head of Investment, AlMoajil Trading & Contracting.</p> <p>Financial Advisor, Atlantic Pacific Capital, UK (formerly).</p>	<ul style="list-style-type: none"> • City Cement (Public JSC) • AlMoajil Trading & Contracting (Closed JSC) • Dhahran Expo (Closed JSC) • Tech Investment (Closed JSC) • Dhahran Chemical Industries and Marketing (Closed JSC)
Omar bin Hamad Al-Mishaal	Board Member	<p>Higher Diploma in Law Studies.</p> <p>Bachelor of Education.</p> <p>Master of Sharia and a PhD researcher in law.</p> <p>Board Member, City Cement.</p> <p>Chairman of the Nomination & Remuneration Committee, City Cement (formerly).</p> <p>CEO, Basiqa Holding.</p> <p>Board Member, CEO & Managing Director, Rakhaa Holding.</p> <p>GM, ABYAT Saudi Arabia.</p> <p>Legal Advisor, Cabinet Office (formerly).</p>	<ul style="list-style-type: none"> • City Cement (Public JSC)
Saleh bin Sulaiman Al-Rajhi	Board Member & Chairman of the Nomination and Remuneration Committee	<p>Bachelor of Business Administration.</p> <p>Experience in banking and the management of commercial & investment companies.</p>	<ul style="list-style-type: none"> • City Cement (Public JSC)

Mohammed bin Hikmat Al-Zaiem	Board Member & Chairman of the Audit Committee	<p>Bachelor's degree in Electrical Engineering.</p> <p>Holder of several management program certificates.</p> <p>Board Member & Chairman of the Audit Committee, City Cement.</p> <p>Board Member & CEO, International Trading and Contracting Co. Ltd (ITCC).</p> <p>Vice Chairman of the Board of Directors and Member of the Executive Committee & the Nomination, Appointment and Remuneration Committee, Riyadh Cables Group Company.</p> <p>Board Chairman, Saudi Modern Company for Specialized Electrical Cables & Wires Industry.</p> <p>Board Chairman, Riyadh Cables Company.</p> <p>Board Member, Saudi Modern Company for Metals, Cables and Plastic Industry.</p> <p>Board Member, Saudi Modern Company for Telephone Cables Industry.</p> <p>Vice Chairman of the Board of Directors and Member of the Executive Committee, Future Ceramics.</p> <p>Board Member, Afaq Al Hikma.</p> <p>Board Member, Al Afaq Development.</p> <p>Board Member, Ajyal Al Hikma.</p> <p>Board Member, Deira Akel Real Estate.</p> <p>Executive Director, Riyadh Cables Group Company (formerly).</p>	<ul style="list-style-type: none"> • City Cement (Public JSC) • Future Ceramics (Closed JSC) • Saudi Modern Company for Specialized Electrical Cables & Wires Industry (Closed JSC) • Saudi Modern Company for Metals, Cables and Plastic Industry (Closed JSC) • Saudi Modern Company for Telephone Cables Industry (Closed JSC) • Afaq Al Hikma Development (Closed JSC) • Riyadh Cables Group (Closed JSC)
Mohammed bin Hamdan Al-Sorayai	Member of the Audit Committee (Non-Board Member)	<p>Bachelor of Business Administration, USA.</p> <p>Master of Financial Management, USA.</p> <p>Several advanced credit & risk management courses.</p> <p>Member of the Audit Committee, City Cement.</p> <p>Corporate and Institutional Banking Department, SABB.</p> <p>Member of the Board of Directors & the Nomination and Remuneration Committee, Al Sorayai Trading.</p> <p>Board Member, United Insulations Co. (formerly).</p> <p>Head of the Financial Analysis Department, Dar Al Gharbia Financial Consultancy (formerly).</p>	
Abdurrahman bin Saad Al-Qarni	Member of the Nomination & Remuneration Committee (Non-Board Member)	<p>Bachelor of Security Sciences.</p> <p>Higher Diploma in Administrative Leadership.</p> <p>Master of Administrative Science.</p> <p>Member of the Nomination and Remuneration Committee, City Cement.</p> <p>GM, Rawdat Al Emaar Contracting Est.</p> <p>Qasr Al-Hokm Force Director (formerly).</p> <p>Director of Criminal Investigation, Riyadh Police (formerly).</p>	

XII. (b): Names of the Members of the Executive Management Team, their Current and Former Positions, Qualifications and Experience

Turki bin Abdulaziz Alabdullatif	Deputy CEO – transformation Council (SBDC)	<ul style="list-style-type: none">• Bachelor of Public Administration, King Saud University.• Started his career in the sales services sector then moved to the banking sector as a sales and marketing services representative and then to the cement industry where he served in various leadership positions including Head of HR, Head of Administration and Chairman of the Development and Organizational Projects Committee, with more than fifteen years of work experience.• Received a number of training courses in administrative areas.
Abdurrahman Mostafa Ahmed	Deputy CEO – Strategic Business Development Council (SBDC)	<ul style="list-style-type: none">• Bachelor of Business Administration, University of Manchester, UK.• Bachelor of Mechanical Power Engineering.• Various specialized technical courses and conferences in the cement industry, supply chain management and HR.• Head, Strategic Planning Department (formerly).• Head, Technical and Development Sector, InterCement (formerly).• Director, Performance Improvement & Quality Department, InterCement (formerly).• Director, Production Department, Italcementi (formerly).• A number of important posts at Italcementi (formerly).
Idris Abu Al-Qasim	Financial Manager	<ul style="list-style-type: none">• Fellow of the American Institute of Certified Public Accountants.• Bachelor of Accounting, University of Khartoum.• Director, Financial Department.• Director of Audit (formerly).• Supervises accountants and cashiers.• Prepares financial reports and reconciles annual & quarterly financial statements.• Financial analysis, performance indicators and feasibility studies.• Formulates financial policies and procedures.• Participates in the implementation of accounting programs.• Designs audit plans and evaluates internal control systems.• Prepares estimated budgets and strategic plans.• Prepares and examines zakat and tax returns.

• Board Committees:

1. The Audit Committee:

The Audit Committee oversees risk management and internal controls in the various aspects of the Company's business. Its responsibilities include reviewing and discussing the Company's quarterly and annual financial statements. The Committee also makes recommendations to the Board of Directors and the General Assembly on the appointment of the Company's CPA.

• Members of the Audit Committee in the Fifth Session of the Board:

Name	Designation	13/1/2020	9/3/2020	11/3/2020	22/3/2020	6/5/2020	6/8/2020	2/11/2020
Mr. Mohammed bin Hikmat Al-Zaiem	Committee Chairman	✓	✓	✓	✓	✓	✓	✓
Mr. Omar bin Hamad Al-Mishaal	Committee Member	✓	✓	✓	✓	✓	✓	✓
Mr. Mohammed bin Hamdan Al-Sorayai	Committee Member (Non-Board Member)	✓	✓	✓	✓	✓	✓	✓

- In its fifth session, the Committee held seven meetings in 2020.

2. The Nomination and Remuneration Committee:

The Nomination and Remuneration Committee reviews the structure of the Board of Directors and how effectively its members are performing, makes recommendations on changes that could be made, identifies weaknesses and strengths, ascertains the independence and absence of conflicts of interest on the part of the members, recommends member nominations as needed, and reviews the remuneration and compensation of the Board committees, Executive Management team's salaries and Saudization percentages.

• Members of the Nomination and Remuneration Committee in the Fifth Session of the Board:

Name	Designation	16/2/2020	24/3/2020
Mr. Saleh bin Sulaiman Al-Rajhi	Committee Member	✓	✓
Mr. Mohammed bin Saad Al-Moajil	Committee Member	✓	✓
Mr. Abdurrahman bin Saad Al-Qarni	Committee Member (Non-Board Member)	✓	✓

- In its fifth session, the Committee held two meetings in 2020.

3. The Executive Committee:

The Executive Committee develops studies and strategic plans, finds appropriate solutions and alternatives, and makes recommendations to the Board.

• Members of the Executive Committee in the Fifth Session of the Board:

Name	Designation	9/9/2020
Mr. Badr bin Omar Alabdullatif	Committee Chairman	✓
Mr. Majid bin Abdurrahman Al-Osailan	Committee Member	✓
Mr. Mohammed bin Hikmat Al-Zaiem	Committee Member	✓

- In its fifth session, the Committee held one meeting in 2020.

• **Committee Members' Remuneration for 2020:**

Name	Fixed Remuneration	Attendance Fee	Reimbursements and Travel & Accommodation Costs	Total
Executive Committee Members				
Mr. Badr bin Omar Alabdullatif	---	3,000	0	0
Mr. Majid bin Abdurrahman Al-Osailan	---	3,000	0	0
Mr. Mohammed bin Hikmat Al-Zaiem	---	3,000	0	0
Audit Committee Members				
Mr. Mohammed bin Hikmat Al-Zaiem	---	21,000	0	0
Mr. Omar bin Hamad Al-Mishaal	---	21,000	0	0
Mr. Mohammed bin Hamdan Al-Sorayai	50,000	21,000	3,131	0
Nomination & Remuneration Committee Members				
Mr. Saleh bin Sulaiman Al-Rajhi	---	6,000	0	0
Mr. Mohammed bin Saad Al-Moajil	---	6,000	0	0
Mr. Abdurrahman bin Saad Al-Qarni	50,000	6,000	0	0

• **The Board of Directors:**

1. Board Members:

- Members of the Board of Directors and their Remuneration during 2020 in the Board's Fifth Session:

Name	Title	Category	Annual Remuneration	Meeting Attendance Fee	Salary, Compensation & Allowances
HRH Prince Abdulaziz bin Mishaal Al Saud	Board Chairman	Independent	200,000	15,000	0
Mr. Badr bin Omar Alabdullatif	Vice Chairman & MD	Executive	200,000	18,000	0
Mr. Majid bin Abdurrahman Al-Osailan	Board Member	Executive	200,000	18,000	0
Mr. Saleh bin Sulaiman Al-Rajhi	Board Member	Independent	200,000	18,000	0
Mr. Mohammed bin Saad Al-Moajil	Board Member	Independent	200,000	18,000	0
Mr. Omar bin Hamad Al-Mishaal	Board Member	Independent	200,000	18,000	0
Mr. Mohammed bin Hikmat Al-Zaiem	Board Member	Independent	200,000	18,000	0

- Acting on the recommendation of the Nomination and Remuneration Committee, the Board recommended that a recommendation be made to the next General Assembly to approve annual remuneration payments to the Board members totaling SR 1,400,000 on a distribution basis of SR 200,000 for each member.

The above remuneration was determined in accordance with the Remuneration Policy approved by the General Assembly on 3/5/2018 so as to avoid any material deviations.

2. Board Members' Attendance of Board Meetings in 2020:

The table below shows the meetings of the members of the Board of Directors during 2020 in the Board's fifth session:

	Number of Meetings					
Name	25/3/2020	7/4/2020	23/4/2020	24/6/2020	26/10/2020	5/11/2020
HRH Prince Abdulaziz bin Mishaal Al Saud	✓	✓	✓	✓	✓	✗
Mr. Badr bin Omar Alabdullatif	✓	✓	✓	✓	✓	✓
Mr. Majid bin Abdurrahman Al-Osailan	✓	✓	✓	✓	✓	✓
Mr. Saleh bin Sulaiman Al-Rajhi	✓	✓	✓	✓	✓	✓
Mr. Mohammed bin Saad Al-Moajil	✓	✓	✓	✓	✓	✓
Mr. Omar bin Hamad Al-Mishaal	✓	✓	✓	✓	✓	✓
Mr. Mohammed bin Hikmat Al-Zaiem	✓	✓	✓	✓	✓	✓

3. Dates of the Shareholders' General Assemblies Held during the Past Financial Year and Board Members who Attended the Same:

Name	10th Ordinary General Assembly 29/6/2020	11th Ordinary General Assembly 25/8/2020
HRH Prince Abdulaziz bin Mishaal Al Saud	✗	✗
Mr. Badr bin Omar Alabdullatif	✓	✓
Mr. Majid bin Abdurrahman Al-Osailan	✓	✓
Mr. Mohammed bin Saad Al-Moajil	✗	✗
Mr. Saleh bin Sulaiman Al-Rajhi	✗	✓
Mr. Omar bin Hamad Al-Mishaal	✓	✓
Mr. Mohammed bin Hikmat Al-Zaiem	✓	✓

4. Steps Taken by the Board to Inform its Members, and in Particular Non-Executives, of Shareholders' Proposals and Comments about the Company and its Performance:

The Chairman or Vice Chairman of the Board informs the Board members, and in particular non-executives, of shareholders' proposals and comments about the Company and its performance.

5. Disclosure of the Remuneration of the Board Members and Executive Management as Provided for in Article 93 of the Corporate Governance Regulations:

The following is the text of the Remuneration Policy for Board Members, Board Committees and the Executive Management which was approved by the General Assembly on 3/5/2018:

Introduction:

This Remuneration Policy for Board Members, Board Committees and the Executive Management has been prepared with the aim of complying with the Corporate Governance Regulations issued by the Capital Market Authority (CMA) Board pursuant to Resolution 8-16-2017 dated 16/5/1438H, corresponding to 13/2/2017, which

stipulate that the Nomination and Remuneration Committee (NRC) shall “prepare a clear policy for the remuneration of the Board members, Board committees and Executive Management, and present such policy to the Board for consideration, in preparation for approval by the General Assembly.”

Purpose:

The purpose of this policy is to define clear criteria for the remuneration of Board members, Board Committees and senior executives in light of the Companies Law requirements and CMA regulations. In addition, this policy aims to attract professionals with adequate competence, capabilities and talent to serve on the Company's Board,

committees and Executive Management by adopting incentive remuneration schemes and programs linked to performance, thus contributing to the improvement of the Company's performance and achievement of the best interests of its shareholders.

General Criteria for Remuneration:

It is the responsibility of the NRC to make recommendations to the Board of Directors on the remuneration of the Board members, committee members and senior executives of the Company in accordance with the approved criteria, as outlined in the following:

- The remuneration shall be commensurate with the Company's activities, strategy, objectives and the skills needed to manage it, and consistent with the magnitude, nature and degree of risks faced by the Company.
- The Company shall take into consideration the practices of other companies and those prevailing in the labor market in respect of the determination of remuneration, avoiding unjustifiable increases in remuneration and compensation that may result from such benchmark comparisons.
- The remuneration shall be determined based on job level, duties and responsibilities, educational qualifications, work experience, skills and performance level.
- The remuneration shall be reasonably sufficient to attract, motivate and retain adequately competent and experienced professionals.
- The remuneration of a Board member shall be determined such that it reflects the member's experience, responsibilities, duties, the number of Board meetings attended by the member, etc.
- The remuneration shall be suspended and taken back where it turns out that it was given based on inaccurate information provided by the member of the Board or Executive Management, in order to prevent abuse of office to obtain undue remuneration.

Remuneration of the Board Members :

1. The remuneration of City Cement Company (CCC) Board members shall consist of an annual lump sum, meeting attendance fee, reimbursement allowance, in-kind benefits, or a combination of two or more of these benefits, provided that the ceiling prescribed by the Companies Law and its implementing regulations shall not be exceeded, as shown in the table below:

Attendance fee per meeting	SR 3.000
Transportation and travel allowance for members residing outside the city of venue (Riyadh)	Equal to actual expenses
Annual lump sum per member	Determined annually without exceeding SR 200.000 as stipulated in the Company's Articles of Association

Adjustment & Payment:

The annual lump-sum remuneration of a Board member indicated above may be subject to review from time to time on the NRC's recommendation in light of the Company's performance, in which case the approval of the shareholders' General Assembly (GA) shall be obtained.

2. The amount of such remuneration may vary in light of a policy issued by the NRC and approved by the Company's GA.
3. The annual Board report shall include a comprehensive statement of all the amounts received by the Board members during the fiscal year including remuneration, reimbursement allowances and other benefits, as well as all the amounts received by the Board members in their capacities as employees or managers, or in consideration of any technical, administrative or advisory work performed. The report shall also include a statement of the number of Board meetings and the number of meetings attended by each member from the date of the last meeting of the GA.
4. The Board may set special remuneration payments for the Board Chairman, Vice Chairman and Managing Director in accordance with Article 21(2) of the Company's Articles of Association.

Remuneration of the Committee Members:

1. The Board shall determine and approve the remuneration, attendance fees and other benefits of the members of its committees, with the exception of the Audit Committee, upon the recommendation of the NRC.
2. The meeting attendance fee and other benefits shall be paid as described herein in accordance with the table below:

Attendance fee per meeting (to be paid following each meeting)	SR 3.000
--	----------

Transportation and travel allowance for members (residing outside the city of venue (Riyadh)	Equal to actual expenses
--	--------------------------

Remuneration of a committee member who is a non-Board member (as approved by the NRC based on the (functions assigned thereto	Up to and not exceeding SR 50.000 per annum
---	---

Adjustment & Payment:

The annual lump-sum remuneration of a committee member (who is a non-Board member) indicated above may be subject to review from time to time based on a recommendation by the NRC to the Board (which, in turn, shall make a recommendation in case of approval) in light of the Company's performance, in which case the GA's approval shall be obtained.

3. The remuneration and meeting attendance fee of the members of the Audit Committee shall be approved by the shareholders' GA upon the Board's recommendation as per the regulations.

Remuneration of the Executive Management:

- The NRC shall review and approve the salary scale and incentive schemes for all employees and senior executives on a regular basis upon the recommendation of the Executive Management. The remuneration of the Executive Management team shall include:
- A base salary (to be paid on a monthly basis at the end of each Gregorian month), plus allowances including but not limited to: a housing allowance, a transportation allowance, a telephone allowance, a children tuition fee allowance, medical insurance benefits for the team member and his/her family, annual leave, annual air tickets and end-of-service benefits in accordance with the Labor Law and the Company's HR Policy.
- A KPI-linked annual bonus based on the relevant annual appraisal.
- The annual bonus of all employees and senior executives shall be approved by a resolution of the Board on the recommendation of the NRC.

Further Guidelines on Remuneration & Payment Mechanism:

1. Board members shall not vote on the agenda item relating to the remuneration of the Board members at a meeting of the shareholders' GA.
2. The Company shall disclose the remuneration of the Board members, committee members and senior executives in the annual Board report as prescribed by the directives and guidelines issued under the Companies Law and CMA laws and their implementing regulations.
3. A member shall be entitled to remuneration starting from the date of joining the Board or committee pro rata to the duration of serving thereon.
4. The remuneration payments of the members of the Board and committees shall be processed by the Board Secretary or committee secretary, as applicable, and approved by the CFO.
5. The attendance fee for a Board meeting or a committee meeting shall be paid within one week after the meeting.
6. With the start date of serving on the Board during the expired fiscal year being taken into consideration, the annual remuneration of the Board shall be paid on an annual basis after being approved by the GA. The annual remuneration of a committee member (who is a non-Board member) shall be paid annually within 30 days following the end of the fiscal year, with the start date of serving on the committee during the expired fiscal year being taken into consideration.

Board Secretary's & Committee Secretaries' Remuneration and Attendance Fees:

Board Secretary's attendance fee	SR 2.000
A committee secretary's attendance fee	SR 1.000
Board Secretary's annual remuneration	SR 20.000
A committee secretary's annual remuneration	SR 20.000
Adjustment & Payment:	
The annual lump-sum remuneration of the Board Secretary and committee secretaries indicated above may be subject to review from time to time based on a recommendation by the NRC to the Board (which, in turn, shall make a recommendation in case of approval) in light of the Company's performance, in which case the GA's approval shall be obtained.	

Final Provisions (Review, Amendment & Publication):

This Policy shall enter into force and be complied with by the Company as of 1/1/2017. It shall be reviewed on a regular basis (as needed) by the NRC. Any amendments proposed by the NRC shall be submitted to the Board which, in turn, shall examine and review the proposed amendments and present them to the shareholders' GA for approval.

- 6. (a) The Interests and Rights of the Members of the Current Board of Directors in its Fifth Session in the Shares or Debt Instruments of the Company or Any of its Subsidiaries, as well as Those of Their Spouses and Minor Children:

		Shares at the end of 2019		Shares at the end of 2020		Change during the year	
Name	Remarks	No. of Shares	Percentage	No. of Shares	Percentage	No. of Shares	Percentage
HRH Prince Abdulaziz bin Mishaal Al Saud Board Chairman	-	957,727	0.506	708,677	0.506	249,050	(26%)
Mr. Badr bin Omar Alabdullatif Vice Chairman	-	2,000	0.001%	1,479	0.001%	521	(26%)
Mr. Majid bin Abdulrahman Al-Osailan Board Member & CEO	-	40,000	0.021%	29,598	0.021%	10,402	(26%)
Mr. Mohammed bin Hikmat Al-Zaiem Board Member	-	280,000	0.147%	207,188	0.147%	72,812	(26%)
Mr. Omar bin Hamad Al-Mishaal Board Member	-	969,000	0.512	710,359	0.507	258,641	(26%)
Mr. Mohammed bin Saad Al-Moajil Board Member	Represents Al-Moajil Trading & Contracting	4,300,000	2.272	3,181,818	2.272	1,118,182	(26%)
Mr. Saleh bin Sulaiman Al-Rajhi Board Member	-	117	0.0001	86	0.0001	31	(26%)

- It should be noted that the Company effected a capital reduction which resulted in a change in the shareholding percentages.

- (b) Senior Executives' Interests and Rights in the Shares or Debt Instruments of the Company or Any of its Subsidiaries, as well as Those of Their Spouses and Minor Children:

Name	Position	Remarks	Shares at the end of 2019	Shares at the end of 2020	No. of Shares	Percentage
Mr. Turki bin Abdulaziz Alabdullatif	Deputy CEO – SBDC	His shares	10	10	-	-

7. Senior Executives' Remuneration & Compensation:

The remuneration and compensation of the Company's senior executives (namely: the Managing Director, CEO, Deputy CEO – SBDC, Deputy CEO – SBDC, and CFO) were as follows:

Total	Salaries	Allowances	Bonuses
	3,199,104	1,760,929	1,728,052

XIII. Company's Declarations

Out of departure of its role and responsibilities in protecting the Company's assets, the Board of Directors, based on the information available to it, the auditor's report, the current market requirement outcomes and the future indicators confirms the following:

1. The account books have been prepared properly.
2. The internal control system has been prepared on proper bases and implemented effectively.
3. There is not doubt at all about the Company's ability to continue the activity.
4. There are no investments or reserves created for the benefit of employees (for example, provident, loans, employees' shares...etc.).
5. There is no contract with substantial interest for a member of the founding Board of Directors or the Executive Management Team.
6. There is no arrangement or agreement under which a member of the founding Board of Directors or the Executive Management Team assigns any salary or remuneration.
7. There is no arrangement or agreement under which a founding shareholder assigns any rights to profits.
8. Shareholders' register has been requested five times for the following reasons:

Request Date of File	Purpose of Request
23/02/2020	.Preparing the Board's report
28/06/2020	.Holding the General Assembly
23/08/2020	.Holding the General Assembly
27/10/2020	.Reducing the share capital
15/11/2020	Distributing the profits

XIV: Audit Committee's Recommendations in Conflict with the Board's Resolutions or the Board Refused to Adopt as to the Appointment, Dismissal, Determination of Fees and Performance Evaluation of the Company's Auditor or the Appointment of an Internal Auditor, and Grounds of these Recommendations and Reasons for not Adopting them.

There are no recommendations from Audit Committee that are in conflict with the Board's resolutions or that the Board refused to adopt with regard to the appointment, dismissal, determination of remuneration and performance evaluation of the Company's Auditor or the appointment of Internal Auditor.

XV: Annual Audit of the Company's Effective Internal Control Procedures:

The conclusions of the annual review of the effective internal control procedures of 2020 showed that there are no substantial remarks affecting the Company's activity. KPMG conducts the Company's internal audits, carries out continuous audits to check the effectiveness of the internal control system in protecting the Company's assets, assess the business risks, and submits its reports periodically to the Audit Committee which in turn reviews and audits these reports and directs accordingly. It did not turn out to the Audit Committee that there is substantial weakness in internal control procedures set by the Company. The Executive Committee of City Cement Company recommends to continue improving the efficiency and effectiveness of the applicable control policies and procedures and updating them in conformity with the Company's volume of activity and nature of businesses.



XVI: Financial Results

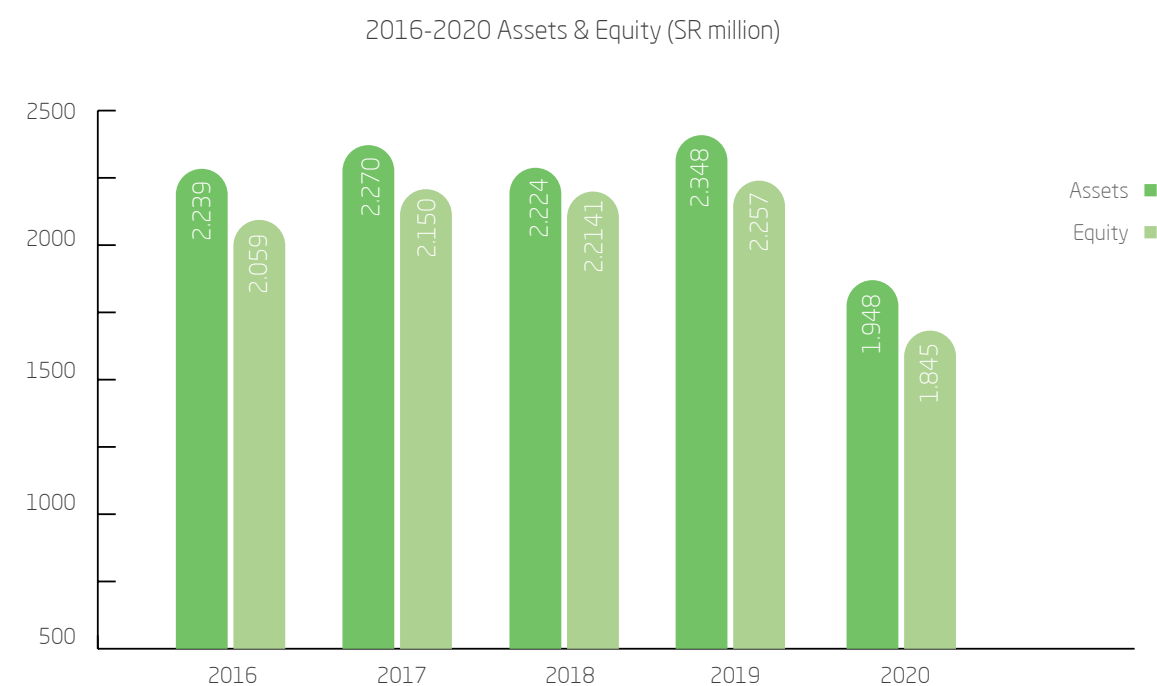
Below is a summary of financial results of the period from 2016 to 2020:

1- Statement of Financial Position:

Particulars	2020	2019	2018	2017	2016
Current Assets	488,678	821,508	577,317	676,488	533,348
Non-current Assets	1,459,780	1,526,824	1,647,331	1,593,535	1,706,162
Total Assets	1,948,459	2,348,333	2,224,648	2,270,023	2,239,510
Liabilities and Equity	-	-	-	-	-
Current Liabilities	79,620	67,932	71,197	154,496	171,879
Non-current Liabilities	23,797	23,153	11,542	10,062	8,188
Total Liabilities	103,418	91,086	82,738	164,558	180,067
Equity	-	-	-	-	-
Capital	1,400,000	1,892,000	1,892,000	1,892,000	1,892,000
Statutory Reserve	175,470	153,421	134,411	123,314	113,983
Other Reserves	(2,115)	(1,417)	-	-	-
Retained Profits	271,685	213,242	115,498	90,151	53,460
Total Equity	1,845,041	2,257,246	2,141,909	2,105,465	2,059,443
Equity and Liabilities	1,948,459	2,348,333	2,224,648	2,270,023	2,239,510

- On 07/03/1441H, corresponding to 4/11/2019, the Board's recommendation was declared decreasing the capital by 26% and compensating the shareholders. On 06/01/1442H, corresponding to 25/08/2020, the Extraordinary General Assembly was held regarding the decrease of capital and the Company's capital decrease was approved; thus, the Company's new capital became SR 1,400,000,000 instead of SR 1,892,000,000.

The chart below shows the development of assets and equity during the five years from 2016 to 2020:



2- Statement of Income:

Value in Thousands of Riyals

	2020	2019	2018	2017	2016
Net Sales	572,729	531,377	344,896	535,393	601,888
Cost of Sales	(315,769)	300,264	244,183	406,918	345,813
Gross Profit	256,960	231,112	100,713	128,475	256,075
Total General, Administrative, Sale and Marketing Expenses	(36,913)	(36,080)	(31,115)	(27,082)	(25,319)
Other Revenues/ Expenses	10,157	10,468	52,188	4,082	251
Zakat	9,711	15,402	13,000	(12,169)	(14,700)
Net Income of the Year	220,493	190,097	112,312	93,306	216,307
Dividend	1.22	1.00	0.59	0.49	1.14

3- Summary of Statement of Cash Flow:

Value in Thousands of Riyals

Particulars	2020	2019
Net Cash Generated from Operating Activities	381,927	330,929
Net Cash Generated from Investing Activities	234,554	(492,283)
Net Cash Generated from Financing Activities	(634,876)	(78,559)
Net Change in Cash and Cash Equivalents	(18,394)	(239,913)
Cash and Cash Equivalents – Start of the Year	68,455	308,369
Cash and Cash Equivalents – End of the Year	50,061	68,455

- The Company's financial statements of the fiscal year ended 31/12/2020 form an integral part of this report.

XVII: Profits

1- Company's Profit Distribution Policy

The Company's policy in distributing its net annual profits relies on what is indicated in the Company's Articles of Association and the availability of the liquidity required to fulfill the payment of the strategic investments and projects of the Company. Profits are distributed as follows:

- The Company shall set aside a minimum of 10% of its net profits to create a statutory reserve. The Ordinary General Assembly may decide to discontinue setting aside such percentage when said reserve reaches half of the Company's capital.
- The Ordinary General Assembly may, based on the Board's suggestion, set aside a certain percentage of the net profits to create a consensual reserve and designate it for a specific purpose or specific purposes.
- Of the balance of profits, a first payment will be distributed to the shareholders in at least (1%) one percent of the paid-up capital.
- A percentage of no more than 10% ten present, after the foregoing, will be designated as Board's remuneration in compliance with the regulations and instructions issued by the Ministry of Commerce and Investment in this respect. Then, the balance will be distributed to the shareholders as additional share of profits.

2- Distribution of Profits during 2020

- The Board of Directors in its meeting No. (6-2020/5) held on Thursday 19/03/1442H, corresponding to 05/11/2020 made a recommendation on the distribution of cash profits of the first half of 2020 from the balance of the retained profits totaling (SR 140,000,000) in (SR 1) per share.

XVII: Audit of 2020

1- Appointment of the Company's Auditor for 2019 and Q1 of 2020

The Company's Ordinary General Assembly agreed in its meeting held on Monday 08/11/1441H, corresponding to 29/06/2020 to appoint Dr. Mohamed Al-Amri and Co. to audit, examine and review the financial reports for the Q2, Q3 and Q4 of the fiscal year 2020 and Q1 of 2021 and determine its fees.

2- Appointment of the Company's Account Controller for 2019

The Auditor's report shows that the Company's financial statements for year ended 31/12/2020 is free from material misstatement, and there are no reservations on them.

3- Accounting Standards

The financial statements have been prepared according to the international accounting standards that have been adopted and approved by the Saudi Organization for Certified Public Accountants (SOCPA). There are no differences from these accounting standards on the auditing of the Company's financial statements.

Thanks and Recognition

In conclusion, the Board of Directors in this occasion is pleased to extend its great thanks and gratitude to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud, may Allah preserve him, and to his Crown Prince HRH Prince Mohamed bin Salman bin Abdulaziz Al Saud, Deputy Prime Minister and Minister of Defense and to our wise government. The Board of Directors beseeches God Almighty to protect the leaders of this country, grant success to our wise government for the good of this homeland and citizens, protect this country from every evil and maintain the blessing of security, safety and peace.

Besides, the Board of Directors also extends thanks and recognition to the Ministry of Energy, Industry and Mineral Resources, the Ministry of Commerce, the Ministry of Investment, Capital Market Authority, the National Center for Monitoring Environmental Compliance and all relevant government authorities for their continuous collaboration and support as well as the shareholders and clients for their precious support and confidence and the Company's personnel for their fruitful efforts.

And Allah is the Grantor of success

Board of Directors

City Cement Company A Saudi Stock Company

Financial Statements

For The Year Ended 31 December 2020

Together With Independent Auditor's Report

INDEX OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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INDEPENDENT AUDITOR'S REPORT

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

Riyadh - Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of City Cement Company - a Saudi Joint Stock Company ("the Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and other explanatory notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements approved by the Saudi Organization of Certified Public Accountants (SOCPA).

Basis for opinion

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

Other matter

The financial statements of the Company for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 15 March 2020.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the 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.

Key audit matters (continued)

Attendance at physical inventory counting	
Key audit matter	How the matter was addressed during our audit
As described in Note 8, the carrying value of the Company's inventory as at 31 December 2020 was Saudi Riyals 145,146,260.	- Obtained management's physical inventory counting instructions to understand and assess their instructions and procedures regarding the cut off procedures (details of inventory movement just prior to, during and after the count inventory), and the recoding of the actual counts of the Company's inventory.
The carrying value includes work in progress inventory - clinker amounting to Saudi Riyals 55,250,346.	- Evaluated the competency, capabilities, and objectivity of the inspection team used by management in counting the clinker inventory.
The Company uses procedures to estimate the physical quantity of clinker inventory by estimating the piles of clinker pile available at year end.	- Attended the physical inventory counting conducted by the Company to observe the implementation of the management's procedures for counting, the identification of obsolete, damaged items of inventory, in addition to our test counts performed.
We considered this to be a key audit matter as the inventory is material to the financial statements, in addition to the procedures used by the company to estimate the physical quantity of clinker inventory at the end of the year.	- Obtained a copy of the final listing of the Company's physical inventory, and inspected that it is accurate, complete and reflects the actual inventory counts.
	- Based on our accumulated audit knowledge and experience, evaluated the appropriateness and reasonableness of the procedures used for estimating the physical quantity of clinker inventory piles, and tested the arithmetical accuracy of the used model.
	- Reviewed the adequacy of the Company's disclosures included in the accompanying financial statements for compliance with accounting standards that are relevant to inventory.

Other information

Other information comprises information included in the Company's annual report for the year 2020, but does not include the financial statements and auditor's report thereon. Management is responsible for other information included in its annual report.

Our opinion on the financial statements does not cover other information and we do 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

For Dr. Mohamed Al-Amri & Co.,


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



Date: 16 RAJAB 1442 (H)
Corresponding to: 28 FEBRUARY 2021 (G)

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

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

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

For Dr. Mohamed Al-Amri & Co.,


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



Date: 16 RAJAB 1442 (H)
Corresponding to: 28 FEBRUARY 2021 (G)

CITY CEMENT COMPANY
A Saudi Joint Stock Company

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(In Saudi Riyals)

	Notes	Balance As at 31 December		
		2020	2019 (Restated)	As at 1 January 2019 (Restated)
Assets				
Non-current assets				
Property, plant and equipment	5	1,453,644,907	1,518,223,857	1,580,031,396
Right of use assets	6	2,779,941	5,441,859	-
Investments in equity instruments at fair value through other comprehensive income	7	3,228,575	2,951,840	-
Intangible assets		126,692	206,708	336,290
Total non-current assets		1,459,780,115	1,526,824,264	1,580,367,686
Current assets				
Inventory	8	145,146,260	212,916,156	273,666,361
Trade receivables	9	39,769,398	39,774,943	41,450,221
Investments in equity instruments at fair value through profit or loss	10	242,098,817	485,840,830	10,193,195
Prepayments and other receivables	11	11,603,307	14,521,083	18,829,438
Cash and cash equivalents	12	50,061,188	68,455,784	308,369,107
Total current assets		488,678,970	821,508,796	652,508,322
Total assets		1,948,459,085	2,348,333,060	2,232,876,008
Equity and Liabilities				
Equity				
Share capital	1-3	1,400,000,000	1,892,000,000	1,892,000,000
Statutory reserve	13	175,470,692	153,421,380	134,411,672
Other reserves		(2,115,616)	(1,417,014)	(72,147)
Retained earnings		271,685,968	213,242,163	117,834,788
Total equity		1,845,041,044	2,257,246,529	2,144,174,313
Liabilities				
Non-current liabilities				
Employees' end-of-service benefits	14	17,347,975	14,069,654	11,541,606
Non-current portion of lease liability	15	-	2,882,552	-
Provision for rehabilitation of areas subject to franchise license	16	6,449,424	6,201,368	5,962,854
Total non-current liabilities		23,797,399	23,153,574	17,504,460
Current liabilities				
Trade payables		16,744,015	15,124,667	14,526,779
Current portion of lease liability	15	2,413,041	2,198,704	-
Accrual and other payables	17	50,752,165	38,953,343	43,508,613
Provision for zakat	18	9,711,421	11,656,243	13,161,843
Total current liabilities		79,620,642	67,932,957	71,197,235
Total liabilities		103,418,041	91,086,531	88,701,695
Total equity and liabilities		1,948,459,085	2,348,333,060	2,232,876,008

Finance Manager	CEO and Board Member	Vice Chairman of Board of Directors and Managing Director
Edrees Abo Alqasem	Majed Bin Abdulrahman Al-Osailan	Bader Bin Omar Al-Abdullatif

The accompanying notes from (1) to (35) form an integral part of these financial statements

CITY CEMENT COMPANY
A Saudi Joint Stock Company

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(In Saudi Riyals)

	Notes	For the year ended 31 December	
		2020	2019 (Restated)
Sales	19	572,729,687	531,377,516
Cost of sales		(315,769,453)	(300,264,814)
Gross profit		256,960,234	231,112,702
Selling and marketing expenses	20	(8,740,189)	(6,638,575)
General and administrative expenses	21	(28,172,979)	(29,442,396)
Operating profit		220,047,066	195,031,731
Gains on changes in fair value investments in equity instruments	10	5,057,987	3,419,452
Other income	22	6,274,015	8,346,561
Finance cost	23	(934,530)	(1,057,905)
Provision of expected credit loss expense	9	(240,000)	(239,957)
Net profit for the year before zakat		230,204,538	205,499,882
Zakat expense	18	(9,711,421)	(15,402,799)
Net profit for the year		220,493,117	190,097,083
Items of other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gains on changes in fair value of investment in equity instruments	7	276,735	-
Actuarial losses on re-measurement of end of service benefits	14	(975,337)	(1,344,867)
Total comprehensive income for the year		219,794,515	188,752,216
Earnings per share			
Basic and diluted earnings per share of net profit for the year	24	1.22	1.00

Finance Manager	CEO and Board Member	Vice Chairman of Board of Directors and Managing Director
Edrees Abo Alqasem	Majed Bin Abdulrahman Al-Osailan	Bader Bin Omar Al-Abdullatif

The accompanying notes from (1) to (35) form an integral part of these financial statement

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(In Saudi Riyals)

	Share capital	Statutory reserve	Other reserves	Retained earnings	Total equity
For the year ended 31 December 2020					
Balance as at 1 January 2020 (Restated)	1,892,000,000	153,421,380	(1,417,014)	213,242,163	2,257,246,529
Net profit for the year	-	-	-	220,493,117	220,493,117
Items of other comprehensive income	-	-	(698,602)	-	(698,602)
Total comprehensive income	-	-	(698,602)	220,493,117	219,794,515
Reducing share capital by distribution to shareholders (Note 1.3)	(492,000,000)	-	-	-	(492,000,000)
Transfer to statutory reserve	-	22,049,312	-	(22,049,312)	-
Dividends (Note 25.1)	-	-	-	(140,000,000)	(140,000,000)
Balance as at 31 December 2020	1,400,000,000	175,470,692	(2,115,616)	271,685,968	1,845,041,044
For the year ended 31 December 2019					
Balance as at 1 January 2019 before Restatement	1,892,000,000	134,411,672	-	115,498,021	2,141,909,693
Effect of Restatements (Note 32)	-	-	(72,147)	2,335,767	2,264,620
Balance as at 1 January 2019 after Restatement	1,892,000,000	134,411,672	(72,147)	117,834,788	2,144,174,313
Net profit for the year (Restated)	-	-	-	190,097,083	190,097,083
Other comprehensive income	-	-	(1,344,867)	-	(1,344,867)
Total comprehensive income	-	-	(1,344,867)	190,097,083	188,752,216
Transfer to statutory reserve	-	19,009,708	-	(19,009,708)	-
Dividends (Note 25.2)	-	-	-	(75,680,000)	(75,680,000)
Balance as at 31 December 2019 (restated)	1,892,000,000	153,421,380	(1,417,014)	213,242,163	2,257,246,529

Finance Manager
Edrees Abo Alqasem

CEO and Board Member
Majed Bin Abdulrahman Al-Osailan

Vice Chairman of Board of Directors and Managing Director
Bader Bin Omar Al-Abdullatif

The accompanying notes from (1) to (35) form an integral part of these financial statements.

CITY CEMENT COMPANY
A Saudi Joint Stock Company

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(In Saudi Riyals)

	For the year ended 31 December 2020	For the year ended 31 December 2019 (Restated)
Operating activities		
Net profit for the year before zakat	230,204,538	205,499,882
Adjustments:		
Depreciation	81,566,858	81,271,238
Gains on changes in fair value of investment in equity instruments	(5,057,987)	(3,419,452)
Provision of expected credit loss expense	240,000	239,957
Provision of obsolescence inventory expense	2,000,000	1,000,000
Employees' end-of-service benefits	2,267,493	2,131,078
Finance cost	934,530	1,057,905
Changes in:		
Inventories	65,769,895	59,750,205
Trade receivables	(234,455)	1,435,321
Prepayments and other receivables	2,917,776	4,308,355
Trade payables	1,619,348	597,888
Accrual and other payables	11,798,822	(4,555,270)
Cash from operation	394,026,818	349,317,107
Zakat differences and withholding tax	-	(3,917,415)
Zakat paid	(11,656,243)	(12,990,984)
Employees' end-of-service benefits paid	(442,882)	(1,479,553)
Net cash flows generated from operating activities	381,927,693	330,929,155
Investing activities		
Purchase of investment in equity instruments at FVTPL	(580,800,000)	(522,400,000)
Sale of investment in equity instruments at FVTPL	829,600,000	50,171,817
Purchase of investment in equity instruments at FVOCI	-	(2,951,840)
Purchase of property, plant and equipment and Capital work in progress	(14,245,974)	(17,081,226)
Purchase of intangible assets	-	(21,830)
Net cash flows generated from / (used in) investing activities	234,554,026	(492,283,079)
Financing activities		
Repayments of capital reduction	(492,000,000)	-
Dividends paid	(140,000,000)	(75,680,000)
Repayments of lease liability	(2,876,315)	(2,879,399)
Net cash flows used in financing activities	(634,876,315)	(78,559,399)
Net change in cash and cash equivalents	(18,394,596)	(239,913,323)
Cash and cash equivalents at the beginning of the year	68,455,784	308,369,107
Cash and cash equivalents at the end of the year	50,061,188	68,455,784
Non-cash transactions from investing activities		
Transfers from work in progress to property, plant and equipment	1,516,429	137,917,932

Finance Manager
Edrees Abo Alqasem

CEO and Board Member
Majed Bin Abdulrahman Al-Osailan

Vice Chairman of Board of Directors and Managing Director
Bader Bin Omar Al-Abdullatif

The accompanying notes from (1) to (35) form an integral part of these financial statements.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

1. COMPANY AND ACTIVITY

1.1 Establishment of the Company

City Cement Company ("the Company"), is a Saudi joint stock company, established under Ministerial Resolution No. 804 and dated 12/5/1426 (corresponding to: 18/6/2005) and registered in Riyadh under Commercial Register No. 1010210441 dated 14/5/1426 (corresponding to: 20/6/2005) and Industrial License No. 1163/ dated 3/6/1426 (corresponding to: 9/7/2005) and renewed with No. 590 dated 10/2/1438 (corresponding to: 10/11/2016). The Company operates under a material quarry license according to the mining regulations issued by Royal Decree No. 216 dated 28/7/1425 (corresponding to: 12/9/2004) and its duration is thirty Hijra years starting from the date of the license, and the Company has the right to request a similar period of renewal of this license subject to the approval of the Ministry of Industry and Mineral Resources.

The Company obtained the following branches commercial registers:

Branch name	CR No.	Date	
		Hijri	Georgian
Branch of city cement company for contracting	1010356028	16-1-1434	29-11-2012
Green Solutions Company for Environmental Services	1010664201	10-3-1442	26-10-2020

The Company's fiscal year is 12 months from the beginning of January until the end of December of each calendar year.

1.2 The nature of the company's activity

The Company's activity is the production of ordinary portland cement and sulphate resistant cement, the import and operation of radioactive devices of the company's plants, processing waste, industrial, agricultural and municipal waste, and producing alternative fuels after obtaining the necessary licenses and specialized sub-contracts.

1.3 Company capital

City Cement Company is a public joint stock company listed on the Saudi capital market. Its share capital was SAR 1,892,000,000 divided into 189,200,000 shares with a nominal value of 10 Saudi Riyals of each. In accordance with the decision of the Extraordinary General Assembly on 25 August 2020, the capital was reduced by Saudi Riyals 492,000,000 by distributing the amount in cash to the shareholders.

The Company's Article of Association has been amended on 2 Jumada II 1442 corresponding to 18 January 2021, and the Company's share capital has become Saudi Riyals 1,400,000,000 divided into 140 million shares of equal value with a nominal value Saudi Riyal 10 of each, all of the Company's shares are cash and ordinary shares, and the procedures for accreditation in the commercial register were completed on Jumada II 18, 1442, corresponding to 31 January 2021, and therefore the share capital has been amended in the financial statements.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF ACCOUNTING

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

The financial statements are prepared on a historical cost basis, except for the following significant items included in the statement of financial position in relation to the investments in equity instruments that are measured at fair value.

These financial statements are presented in Saudi Riyals ("SAR"), which is the functional and presentation currency of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 New standards, amendments to standards, and interpretation

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020.

Amendment to IFRS 3 "Business Combinations" - definition of a business

This amendment revises the definition of a business. According to feedback received by IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Amendments to IAS 1 and IAS 8 on the definition of material

These amendments to IAS 1, "Presentation of financial statements", and IAS 8 "Accounting policies, changes in accounting estimates and errors", and consequential amendments to other IFRSs:

- Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- Clarify the explanation of the definition of material; and
- Incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform (phase 1)

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the statement of profit or loss.

The adoption of the above amendments do not have any material impact on the financial statements during the year.

CITY CEMENT COMPANY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**
(All amounts in Saudi Riyals unless otherwise stated)

3.2 Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted, however, the Company has not early adopted them in preparing these financial statements.

Amendments to IAS 1 "Presentation of financial statements" – on classification of liabilities

These narrow-scope amendments to IAS 1 "presentation of financial statements", clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or even after the reporting date (for example: the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the "settlement" of a liability.

Amendments to IFRS 3, IAS 16 and IAS 37

- IFRS 3 "Business Combinations" update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 "Property, Plant and Equipment" prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognize such sales proceeds and related cost in profit or loss.
- IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets" specify which costs an entity includes when assessing whether a contract will be loss-making.

3.3 Annual improvements to IFRSs 2018-2020 cycle

These improvements are effective on or after 1 January 2021.

- IFRS 9 "Financial Instruments" - Clarify the fees an entity includes in performing the "10% test" in order to assess whether to derecognize a financial liability.
- IFRS 16 "Leases" - Remove the potential for confusion regarding lease incentives by amending an illustrative example 13 accompanying IFRS 16.

3.4 Financial instruments

The Company initially recognises financial instruments on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost

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

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The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following financial assets:

Financial Assets at Amortised Cost

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the statement of profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Financial assets at fair value through other comprehensive income

The debt instrument is measured at fair value by other comprehensive income only if it meets the following conditions and is not recognized at fair value through changes in net assets:

- The asset is held in a business model that is designed to hold assets to collect contractual cash flows and sell the financial assets.
- The contractual terms of the financial asset lead on specific dates to cash flows that are only the payments from the principal amount and interest on the principal amount due.

Debt instruments measured at fair value through other comprehensive income are subsequently measured at fair value while recognizing the profits and losses resulting from changes in fair value in other comprehensive income. Financing income, foreign exchange gains and losses are carried at the statement of profit or loss.

Equity instruments: On initial recognition, to invest in non-traded shares, the Company may apply an irrevocable option to make subsequent changes in fair value in other comprehensive income. The presented amounts in other comprehensive income are not subsequently transferred to the statement of profit or loss.

Financial assets at fair value through changes in net assets

All other financial assets are classified as measured at fair value through the statement of profit or loss (for example: shares held for trading and debt securities that are not classified based on amortized cost or at fair value through other comprehensive income).

Impairment of financial assets

For accounts receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Expected loss rates were derived from historical information of the Company and are adjusted to reflect the expected future outcome.

CITY CEMENT COMPANY

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

Financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities of the Company comprise of trade and other payables.

De-recognition of financial liabilities

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

Amortized cost for financial asset or liability

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

3.5 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of returns, trade discounts and volume rebates. The Company recognizes revenue when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods.

The goods are often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The related liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made during the year.

No element of financing component is deemed present as the sales are made either on cash or on credit term consistent with market practice.

3.6 Property, plant and equipment

Property, Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost comprises of expenditure that is directly attributable to the acquisition of the asset. Cost includes the reclassifications from equity of any gains or losses on qualifying cash flow hedges relating to purchases of Property, Plant and Equipment. Cost includes expenditures that are directly attributable to the acquisition / growing

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of the plant till its maturity. Any gain or loss on disposal of an item of Property, Plant and Equipment is recognised in the statement of profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company and amount can be measured reliably.

The Company has strategic and reserve spare parts that must be available for the production lines at its plant, and are classified under property and equipment, and subject to depreciation over the useful life of the asset associated with those spare parts.

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

The cost less estimated residual value is depreciated on a straight-line basis over the following estimated useful lives of the assets by using the following annual depreciation rates:

Machinery and Equipment	4 %
Buildings and roads	3 – 10 %
Mobile equipment	6.67 %
Vehicles	20 %
Furniture and fixtures	15 %

Land and capital work in progress are not depreciated.

Capital work in progress at year end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

The assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

If significant parts of an item of property, plant and equipment have different useful lives then they are accounted for as separate items of property, plant and equipment

3.7 Leases

The Company assesses whether a contract is a lease or contains a lease. The contract is a lease or contains a lease if it gives the right of use a specific asset for a period of time in exchange for a compensation.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

Right-of-use assets and lease liabilities

Assets and liabilities arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and - restoration costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the Statement of Profit or Loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to office equipment.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations and the costs and business disruption required to replace the leased asset.

3.8 Intangible assets

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

The Company applies annual depreciation rates to its intangible assets:

- Software licenses 20%

Subsequent expenditure

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

CITY CEMENT COMPANY

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

Amortization

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

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

3.9 Impairment of non-financial assets

Non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss or reversal of impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss.

3.10 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost comprises all direct manufacturing expenditure based on the normal level of activity and transportation and handling costs. Net realisable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Allowance is made, where necessary for slow moving inventories. Cost of inventories is recognised as an expense and included in cost of sales.

Spares are valued at lower of cost or net realizable value. Cost is determined on the weighted average cost basis. An allowance for obsolete and slow-moving items, if any, is estimated at each reporting date.

3.11 Cash and cash equivalents

For the purpose of statement of financial position, cash and bank balances include bank balances, cheques in hand and deposits with original maturities of three months or less, if any.

CITY CEMENT COMPANY
A Saudi Joint Stock Company

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in Saudi Riyals unless otherwise stated)

3.12 Zakat provision

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations. Adjustments arising from final zakat assessments are recorded in the period in which such assessments are made.

3.13 Employee Retirement benefits

Employee Retirement benefits are payable to all employees employed under the terms and conditions of the Labour Laws applicable on the Company, on termination of their employment contracts.

The Company's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value.

The Company sets the assumptions used in determining the key elements of the costs of meeting such future obligations. These assumptions are set after consultation with the Company's actuaries and include those used to determine regular service costs and the financing elements related to the liabilities. The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method.

Re-measurement of defined benefit liability, which comprise of actuarial gains and losses are recognised immediately in the statement of other comprehensive income. The Company determines interest expense on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any change in the net defined benefit obligation during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit are recognised in the statement of profit or loss.

3.14 Provisions

A provision is recognised if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

3.15 Statutory reserve

In accordance with Company's by-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to recognise a reserve comprising of 10% of its profit for the year. This reserve is currently not distributable to the Shareholders.

3.16 Earnings per share

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

CITY CEMENT COMPANY
A Saudi Joint Stock Company

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in Saudi Riyals unless otherwise stated)

3.17 Segmental reporting

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

3.18 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry Company, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3.19 Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Saudi Riyals at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in profit or loss.

3.20 Dividends

Dividends is recognized in the financial statements when it is approved by the General Assembly of shareholders for annual distributions.

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4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with International Financial Reporting Standards requires management to use judgments, estimates and assumptions that affect the amounts of income, expenses, assets and liabilities appearing in the financial statements, the accompanying notes attached to the financial statements, and the disclosure of contingent assets and liabilities. However, the uncertainty involved in these assumptions and estimates may lead to significant adjustments to the carrying amount of assets or liabilities that may be affected in future periods.

In the context of applying the company's accounting policies, management has made judgments that have a material impact on the amounts recognized in the financial statements. In addition to the main assumptions that have been considered when assessing the impact of future conditions on the figures appearing in the financial statements and the related disclosures at the date of preparing the financial statements, which have substantial risks associated with them that may cause significant adjustments to the carrying values of assets and liabilities during the next financial year. The company relied in its estimates and assumptions on the existing conditions and available information when preparing the financial statements. However, existing circumstances and assumptions about foreseeable developments may change as a result of market changes and circumstances beyond the control of the Company. These changes are reflected in the assumptions as they occur.

A) Estimated useful life of property, plant and equipment

The cost of property, plant and equipment depreciated over the estimated useful life of the asset based on the expected use and obsolescence of the asset, the maintenance and repair program, technical obsolescence and the recoverable value considerations of the asset. Management reviews the residual value of property, plant and equipment and useful lives annually and change in depreciation charges where the management believe that the useful life differs than the past estimating.

B) Strategic and reserve spare parts

The Company maintains strategic and reserve spare parts inventory for two production lines in its plant, which the management aims to maintain for longer periods more than one year. The management believes that all spare parts will be provided with future economic benefits from the future use of all property, plant and equipment. The management reviews spare parts that are in reserve equipment, which should be available as needed and depreciated with the estimated useful life of the associated asset.

C) Actuarial valuation of employees' end of service benefits liabilities

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

D) Provision for rehabilitation of areas subject to franchise license

The provision for rehabilitation of areas subject to franchise license is recognised at the present value of the expected cost of rehabilitation of the site and the company's factory land. The current value of the provision estimated at the expected present value of the end of the factory lifespan, and the company relied on the renewal of the current quarry license after its expiry at the initial measurement of the current value of the provision.

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5. Property, plant, and equipment

Cost:	Lands	Machinery and Equipment	Buildings and roads	Mobile equipment	Vehicles	Furniture and fixtures	Capital work in progress	Total
Balance as at 1 January 2019 (Restated)	3,600,000	1,452,390,536	586,857,089	125,807,447	12,160,409	16,025,685	135,353,388	2,332,194,554
Additions during the year	-	11,496,550	-	9,700	-	448,456	5,126,520	17,081,226
Transferred from Capital work in progress	-	111,777,507	25,721,940	418,485	-	-	(137,917,932)	-
Balance as at 31 December 2019 (Restated)	3,600,000	1,575,664,593	613,579,029	126,235,632	12,160,409	16,474,141	2,561,976	2,349,275,780
Additions during the year	-	7,826,136	-	70,044	642,801	235,534	5,471,459	14,245,974
Transferred from Capital work in progress	-	309,225	-	1,207,204	-	-	(1,516,429)	-
Balance as at 31 December 2020	3,600,000	1,583,799,954	613,579,029	127,512,880	12,803,210	16,709,675	6,517,006	2,363,521,754
Accumulated depreciation:								
Balance as at 1 January 2019 (Restated)	-	500,632,667	160,850,642	67,868,647	10,617,211	12,193,991	-	752,163,158
Depreciation during the year	-	53,882,765	18,027,595	4,921,247	755,350	1,301,808	-	78,888,765
Balance as at 31 December 2019 (Restated)	-	554,515,432	178,878,237	72,789,894	11,372,561	13,495,799	-	831,051,923
Depreciation during the year	-	54,273,878	17,875,894	4,788,142	677,667	1,209,343	-	78,824,924
Balance as at 31 December 2020	-	608,789,310	196,754,131	77,578,036	12,050,228	14,705,142	-	909,876,847
Net book value:								
As at 31 December 2020	3,600,000	975,010,644	415,824,898	49,934,844	752,982	2,004,533	6,517,006	1,453,644,907
As at 31 December 2019 (Restated)	3,600,000	1,021,149,161	433,700,792	53,445,738	787,848	2,978,342	2,561,976	1,518,223,857
As at 1 January 2019 (Restated)	3,600,000	951,757,869	426,006,447	57,938,800	1,543,198	3,831,694	135,353,388	1,580,031,296

- The Company uses quarries of raw materials leased from the Ministry of Industry and Mineral Resources under a license of raw materials quarry for a 30-year Hijri from 15/9/1426 H.

- The Company had capital commitments amounting to SAR 6,517,006 at 31 December 2020 in respect of ongoing projects (2019: SAR 2,561,976 million). The majority of the capital commitments for the asbestos production facilities and IT equipment

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6. Right-of-use assets

	leased land	leased building	Total
Cost:			
Balance as at 31 December 2019	5,949,492	1,723,428	7,672,920
Balance as at 31 December 2020	5,949,492	1,723,428	7,672,920
Accumulated depreciation:			
Balance as at 31 December 2019	1,800,204	430,857	2,231,061
Depreciation	1,800,204	861,714	2,661,918
Balance as at 31 December 2020	3,600,408	1,292,571	4,892,979
Net book value:			
As at 31 December 2020	2,349,084	430,857	2,779,941
As at 31 December 2019	4,149,288	1,292,571	5,441,859

7. Investments in equity instruments at fair value through OCI

	Shares	As at 31 December	
		2020	2019
Saudi Arabian Oil Company (Aramco) a Saudi joint stock company	92,245	2,951,840	2,951,840
Gains on change in fair value		276,735	-
Total investment in shares		3,228,575	2,951,840

On 3 December 2019, the Board of Directors approved the investment in Saudi Arabian Oil Company (Aramco) shares and was subscribed in 92,245 shares with a total of SAR 2,951,840. This is from the company's own sources and in accordance with its future flows and plans.

Saudi Arabian Oil Company (Aramco) - A Saudi Joint Stock Company announced the distribution of cash dividends during 2020 resulting in dividends amounted SAR 104,163, which are included in other revenues (Note 22).

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8. Inventory

	As at 31 December 2020	2019 (Restated)	As at 1 January 2019 (Restated)
Work in progress - Clinker	55,250,346	127,526,712	177,507,461
Finished goods	5,749,234	5,134,445	5,991,621
Raw materials	17,782,703	12,414,379	14,976,009
Spare parts	69,363,977	68,840,620	75,191,270
	148,146,260	213,916,156	273,666,361
Impairment in inventory	(3,000,000)	(1,000,000)	-
	145,146,260	212,916,156	273,666,361

The movement of impairment in inventory is as follows:

	As at December 31, 2020	2019 (Restated)	As at 1 January 2019 (Restated)
Balance at the beginning of the year	1,000,000	1,000,000	-
Additions during the year	2,000,000	-	-
Balance at the end of the year	3,000,000	1,000,000	-

9. Trade receivables

	As at 31 December	
	2020	2019
Trade receivables	41,260,502	41,026,047
Provision for expected credit losses	(1,491,104)	(1,251,104)
	39,769,398	39,774,943

The movement of expected credit losses provision is as follows:

	As at 31 December	
	2020	2019
Balance at the beginning of the year	1,251,104	1,011,147
Additions during the year	240,000	239,957
Balance at the end of the year	1,491,104	1,251,104

The trade receivables are fully covered by bank guarantees amounted SAR 16,500,000, and promissory notes amounted to SAR 32,770,000.

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10. Investments in equity instruments at fair value through profit or loss

	As at 31 December	
	2020	2019
Balance at the beginning of the year	485,840,830	10,193,195
Purchases during the year	580,800,000	522,400,000
Sales during the year	(829,600,000)	(50,171,817)
Gains on change in fair value	5,057,987	3,419,452
Balance at the end of the year	242,098,817	485,840,830

The investments represent units in open local investment funds with an objective of providing a reasonable amount of income as well as liquidity from short-term investments in Saudi Riyals.

11. Prepayments and other receivables

	As at 31 December	
	2020	2019
Advances to suppliers	6,549,081	9,850,687
Prepaid expenses	3,109,280	3,463,219
Refundable insurance	853,714	645,431
others	1,091,232	561,746
	11,603,307	14,521,083

12. Cash and cash equivalents

	As at 31 December	
	2020	2019
Cash at bank – current accounts	49,965,941	68,412,628
Cash in hand	95,247	43,156
	50,061,188	68,455,784

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13. Statutory reserve

In accordance with the Companies Law and the Company's Articles of Association (Article 129), the Board of Director shall transfer 10% from the net profit of each year end to the statutory reserve, and the ordinary general assembly meeting of the Company could decide to cease such transfer when it reaches 30% from the share capital. This reserve is not available for dividends.

	As at 31 December	
	2020	2019 (Restated)
Balance at the beginning of the year	153,421,380	134,411,672
Addition during the year	22,049,312	19,009,708
Balance at the end of the year	175,470,692	153,421,380

14. Employees' end-of-service benefits

The Company's policy stated that the end-of-service benefit is due to all employees who complete the qualifying period of service under the Saudi Labour Law.

The annual employee's end of service liability is based on actuarial evaluation, and the most recent actuarial evaluation was conducted by an appointed independent expert by the Company's management, using the actuarial methodology of the expected credit unit as at 31 December 2020.

	As at 31 December	
	2020	2019
Balance at 1 January	14,069,654	11,541,606
<i>Included in profit or loss statement</i>		
Current service cost	2,267,493	2,131,078
Interest cost (Note 23)	478,373	531,656
<i>Included in OCI</i>		
Actuarial losses	975,337	1,344,867
Paid	(442,882)	(1,479,553)
	17,347,975	14,069,654

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Actuarial assumptions

During the year, actuarial assumptions were conducted under the expected credit unit method using. The following important assumptions:

	As at 31 December	
	2020	2019
Financial assumption	%-Year	%-Year
Discount rate	%2.75	%3.45
Salary increase	%3	%3
Demographic assumptions:		
Withdrawal rates	From 5 to 20	From 5 to 20
Retirement age	60 Years	60 Years

Sensitivity in defined benefit obligation

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the employee retirement benefits to significant actuarial assumptions, the same method (present value of the employee retirement benefits calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the employee retirement benefits recognised in the statement of financial position as described below:

	Reasonable potential changes	EMOLOYEES' END OF SERVICE BENIFITS LIABILITIES	
		Increase	Decrease
Discount rate	(- / +) (1%)	(1,787,798)	2,140,831
Salary increase	(- / +) (1%)	2,112,675	(1,799,818)
Withdrawal rates	(- / +) (20%)	(311,787)	317,126
Mortality rate	(- / +) (20%)	(4,292)	4,301

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15. Lease liability

	As at 31 December	
	2020	2019
Non-current portion of lease liability	-	2,882,552
Current portion of lease liability	2,413,041	2,198,704
	2,413,041	5,081,256

The amount of interest expense related to the lease liability for the year ended 31 December 2020 amounted Saudi Riyals 208,101 (31 December 2019: Saudi Riyals 287,735), (Note 23).

16. Provision for rehabilitation of areas subject to franchise license

The provision movement is as follow:

	As at 31 December 2020	As at 31 December 2019 (Restated)	As at 1 January 2019 (Restated)
Financial impact of the initial measurement of provision	-	-	5,733,514
Balance at the beginning of the year	6,201,368	5,962,854	-
Effective interest (Note 23)	248,056	238,514	229,340
Balance at the end of the year	6,449,424	6,201,368	5,962,854

17. Accruals and other payables

	As at 31 December	
	2020	2019
Accrued expenses	14,206,204	9,672,236
Accrued quarry fees	19,030,595	19,156,896
Accrual for governmental authorities	270,248	302,386
Provision for vacation and travel tickets	2,608,243	2,462,359
Board and committee members' bonuses (Note 30)	1,400,000	1,400,000
Advances from costumers	5,764,131	3,011,074
Retention held from subcontractors	277,147	200,286
Value add tax (VAT)*	6,955,628	1,961,072
Others	239,969	787,034
	50,752,165	38,953,343

* The VAT inspection until 2019 was settled, the resulted tax differences amounted to Saudi Riyals 8,256, and the Company paid it in November 2020.

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18. Provision for Zakat

A) The main elements of Zakat base are as follows:

	As at 31 December	
	2020	2019
Net profit for the year before zakat	237,146,893	195,925,985
Non-current assets	(1,494,433,942)	(1,578,224,999)
Non-current liabilities	17,000,000	17,552,206
Equity	1,624,251,802	2,066,229,693
Provision for expected credit losses	1,492,104	1,251,104
Provision for zakat	-	170,859
Impairment in inventory	3,000,000	3,500,000
Prepayments	-	200,286
Zakat base	388,456,857	706,605,134
Zakat rate 2.5%	9,711,421	17,665,128

B) The movement in Zakat provision is as follows:

	As at 31 December	
	2020	2019 (Restated)
Balance at the beginning of the year	11,656,243	13,161,843
Paid during the year	(11,656,243)	(12,990,984)
Zakat differences	-	(3,917,415)
Additions during the year	9,711,421	15,402,799
Balance at the end of the year	9,711,421	11,656,243

C) During 2019, the Company received a final Zakat assessment for the years from 2006 to 2016.

D) During the year 2020, the Company received a final Zakat assessment for 2017 and 2018.

E) The Company submitted the financial statements and zakat returns for the year ended 31 December 2019, paid the due amount and obtained a certificate valid until 30 April 2021.

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19. Sales

	For the year ended 31 December	
	2020	2019 (Restated)
Ordinary portland cement	520,207,070	495,892,136
Sulphate resistant cement	52,522,617	35,460,810
Export cement	-	24,570
	572,729,687	531,377,516

20. Selling and marketing expenses

	For the year ended 31 December	
	2020	2019 (Restated)
Salaries, wages and employee's benefits	3,817,819	3,808,633
Transportation expenses	3,095,827	1,948,053
Advertising and promotion	762,092	136,930
Depreciation	150,832	98,616
Sales department expenses	65,006	67,067
Others	848,613	579,276
	8,740,189	6,638,575

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21. General and administrative expenses

	For the year ended 31 December	
	2020	2019 (Restated)
Salaries, wages and employee's benefits	19,852,455	21,399,386
Governmental fees	1,638,233	852,592
Donations	1,614,824	955,522
Depreciation	1,582,489	1,135,909
Board of directors' remuneration (Note 30)	1,400,000	1,400,000
Professional and consulting fees	798,145	1,754,761
Board of directors' attendance allowance (Note 30)	234,400	231,000
Bank charges	187,082	105,111
Subscriptions and fees	180,348	305,839
Repair and maintenance	139,593	93,571
Services	114,828	115,428
Withholding tax	41,791	174,230
Rents	-	541,925
Others	388,791	377,122
	28,172,979	29,442,396

22. Other income

	For the year ended 31 December	
	2020	2019 (Restated)
Revenue from environmental services	4,013,668	2,487,476
Income from bank deposits	1,951,488	5,631,638
Gain on foreign currency translation differences	204,696	567
Settlement of contractors' guarantee retention	-	226,880
Dividends on investments at fair value through OCI	104,163	-
	6,274,015	8,346,561

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23. Finance cost

	For the year ended 31 December	
	2020	2019 (Restated)
Interest cost on employees end of service liability	478,373	531,656
Interest cost on lease liability	208,101	287,735
Interest cost of provision for rehabilitation of areas subject to franchise license	248,056	238,514
	934,530	1,057,905

24. Earnings per share

Basic earnings per share was calculated by dividing the year's net profit by the weighted average number of shares during the year:

	For the year ended 31 December	
	2020	2019 (Restated)
Net profit for the year	220,493,117	190,097,083
	Share	Share
Weighted average number of shares after diluted impact	180,193,443	189,200,000
	SAR / Share	SAR / Share
Basic and diluted earnings per share from the net profit of the year	1.22	1.00

The Company reduced its share capital from Saudi Riyals 1,892,000,000 to Saudi Riyals 1,400,000,000, at a reduction rate of 26 % of the Company's share capital. Consequently, reducing the number of shares of the Company from 189,200,000 shares to 140,000,000 shares by cancelling 49,200,000 ordinary shares, at nominal value of Saudi Riyals 10 of each share, and a total value of Saudi Riyals 492,000,000, and compensated the eligible shareholders, who are entitled to this reduction, at the nominal value of the share at Saudi Riyals 10 of each cancelled share for the holders of the shares at the end of trading on 08/03/1442H (corresponding to: 25/10/2020), accordingly the weighted average number of shares has been calculated, after the reduction effect, at 180,193,443 shares as a result of the capital's reduction.

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25. Dividends

25.1 On 29 June 2020, the shareholders in their ordinary General Assembly Meeting approved dividends of SAR 140,000,000 (SAR 1 per share) which was paid on 5 November 2020.

25.2 The Board of Directors have proposed, for shareholder's approval at the General Assembly Meeting, a dividend of SAR 75,680,000 million (SAR 0.40 per share) and 4% of Company's share capital for the year ended 31 December 2018 which was paid on 4 April 2020.

26. Financial facilities

The Company has available financial facilities from local banks amounted to Saudi Riyals 90.7 million guaranteed by promissory note, the Company has not used until the date of the financial statements, except for what was mentioned in Note 27, and there are no obligations as a result of not using these facilities.

27. Contingent liabilities

The contingent liabilities against letters of credit are SAR 7,200,000 for the purchase of raw materials as at 31 December 2020.

The contingent liabilities against letters of guarantee are SAR 174,290 as at 31 December 2020.

28. General

As disclosed in the financial statements for the year ended 31 December 2019, the Company received a statement of prosecution. The Company has assigned an external legal advisor to deal with this matter and make the necessary defences, the matter is still being in the phase of exchanges correspondences, and there are no updates on this matter.

29. Segment reporting

Geographical area	For the year ended at 31 December 2020		For the year ended at 31 December 2019	
	Cement sales (Note: 19)	Revenue from environmental services (Note: 22)	Cement sales (Note: 19)	Revenue from environmental services (Note: 22)
Kingdom of Saudi Arabia	572,729,687	4,013,668	531,352,946	2,487,476
Bahrain Kingdom	-	-	24,570	-
Total	572,729,687	4,013,668	531,377,516	2,487,476

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30. Transactions with related parties

Transactions with related parties consist mainly in salaries, allowances and key executive personnel remuneration.

Key management personnel are those who exercise authority and responsibility in directly or indirectly planning, directing and monitoring the company's activities, including the members of board meeting.

Members of the Board of Directors do not receive any remuneration for their role in managing the Company unless approved by the General Assembly. Members of the Board of Directors receive an attendance allowance for Board and Board Committee meetings. Executive Directors receive fixed remuneration as a result of their direct duties and responsibilities.

The following table illustrates details of remuneration and compensation paid to Directors and Key Management Personnel.

Related parties	Nature of the transaction	For the year ended at 31 December	
		2020	2019
Members of Board of the directors and Key Management Personnel	Salaries, wages, and equivalent and board remuneration and attendance allowances	8,323,187	6,611,832

31. Financial instruments and risk management

The Company's activities expose it to a variety of financial risks, market risk, credit risk, and liquidity risk.

Financial instruments in the Company's statement of financial position include investments at fair value through profit or loss and other comprehensive income, cash and cash equivalents, other assets, account receivable, and other liabilities.

a) Market risk

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as, commission rates, commodity prices and foreign currency exchange rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Commission rate risk

Commission rate Risk is the exposure associated with the effect of fluctuations in the prevailing commission rates on the Company's financial position and cash flows.

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Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in currency that is not the Company's currency. The Company exposure to foreign currency risk is primarily limited to transactions in United State Dollars ("USD") and Euro.

The fluctuation in exchange rates against USD and EUR are monitored on a continuous basis. Quantitative data regarding the Company's exposure to currency risk is represented by:

	U.S. dollar	Euro
31 December 2020		
Cash and cash equivalents	2,319,967	1,817,757
Advances to suppliers	270,829	545,813
Trade payables	(670,906)	(164,995)
	<u>1,919,890</u>	<u>2,198,575</u>
31 December 2019		
Cash and cash equivalents	6,916,158	4,685,655
Advances to suppliers	141,193	622,414
Trade payables	(714,516)	(99,647)
	<u>6,342,835</u>	<u>5,208,422</u>

b) Credit risk

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on the financial instruments as follows:

	As at 31 December	
	2020	2019
Cash and cash equivalents	50,061,188	68,455,784
Trade receivables	41,260,502	41,026,047
	<u>91,321,690</u>	<u>109,481,831</u>

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

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

The movement on the provision of expected credit losses related to the trade receivables is as follows:

	As at 31 December	
	2020	2019
Balance as at 1 January	1,251,104	1,011,147
Additions during the year	240,000	239,957
Balance as at 31 December	<u>1,491,104</u>	<u>1,251,104</u>

c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted and include estimated interest payments.

As at 31 December 2020	Book value	Less than one year	From 1 year to 5 years	Total
Lease liability	2,413,041	2,413,041	-	2,413,041
Trade payables	16,744,015	16,744,015	-	16,744,015
Accrual and other payables	50,752,165	50,752,165	-	50,752,165
	<u>69,909,221</u>	<u>69,909,221</u>	-	<u>69,909,221</u>
Lease liability	5,081,256	2,198,704	2,882,552	5,081,256
Trade payables	15,124,667	15,124,667	-	15,124,667
Accrual and other payables	38,953,343	38,953,343	-	38,953,343
	<u>59,159,266</u>	<u>56,276,714</u>	<u>2,882,552</u>	<u>59,159,266</u>

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Company's future commitments. The Company's terms of sales require amounts to be paid either on a cash on delivery or on a terms basis.

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Financial instruments at fair value

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

2020	Book value	Level 1	Fair Value Level 2	Level 3	Total
Financial assets					
Investment in equity instruments at fair value through other comprehensive income (Note 7)	3,228,575	3,228,575	-	-	3,228,575
Investment in equity instruments at fair value through profit or loss (Note 10)	242,098,817	242,098,817	-	-	242,098,817
	<u>245,327,392</u>	<u>245,327,392</u>	<u>-</u>	<u>-</u>	<u>245,327,392</u>
2019					
Financial assets					
Investment in equity instruments at fair value through other comprehensive income (Note 7)	2,951,840	2,951,840	-	-	2,951,840
Investment in equity instruments at fair value through profit or loss (Note 10)	485,840,830	485,840,830	-	-	485,840,830
	<u>488,792,670</u>	<u>488,792,670</u>	<u>-</u>	<u>-</u>	<u>488,792,670</u>

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

- The carrying value of financial assets and financial liabilities at amortized cost approximates their fair value in the financial position date.

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32. Restatements

The Company restated certain amounts and balances included in the prior year financial statements as the transactions to which these balances relate, had not been accounted for correctly, and accordingly adjusted in accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The details of each of such restatements have been summarized below:

31 December 2019	Previously Reported	Restatement (1,2,3,4,5)	Re-classification (2,6)	Restated
Statement of financial position				
Property, plant and equipment	1,450,063,366	17,439,885	50,720,606	1,518,223,857
Capital work in progress	2,561,976	-	(2,561,976)	-
Spare parts	116,999,250	-	(116,999,250)	-
Inventories	144,075,536	-	68,840,620	212,916,156
Prepayments and other receivables	14,989,190	-	(468,107)	14,521,083
Statutory reserve	(152,371,733)	(1,049,647)	-	(153,421,380)
Other reserves	-	-	1,417,014	1,417,014
Retained earning	(201,458,566)	(10,366,583)	(1,417,014)	(213,242,163)
Current portion of lease liability	(2,666,811)	-	468,107	(2,198,704)
Provision for rehabilitation of areas subject to franchise license	(600,000)	(5,601,368)	-	(6,201,368)
Zakat provision	(11,233,956)	(422,287)	-	(11,656,243)
Statement of profit or loss				
Cost of sales	310,077,225	(9,812,411)	-	300,264,814
Finance cost	819,391	238,514	-	1,057,905
Zakat expense	14,980,512	422,287	-	15,402,799

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1 January 2019	Previously Reported	Restatement (1,2,3,4,5)	Re-classification (2,6)	Restated
Statement of financial position				
Property, plant and equipment	1,390,629,598	7,227,474	182,174,324	1,580,031,396
Capital work in progress	135,353,388	-	(135,353,388)	-
Spare parts	121,012,205	-	(121,012,205)	-
Inventories	198,475,092	-	75,191,269	273,666,361
Retained earning	(115,498,021)	(2,264,620)	(72,147)	(117,834,788)
Other reserves	-	-	72,147	72,147
Provision for rehabilitation of areas subject to franchise license	-	(5,962,854)	-	(5,962,854)
31 December 2019 Statement of cash flows				
Net profit for the year before zakat	195,925,985	9,573,897	-	205,499,882
Depreciation	88,983,649	(7,712,411)	-	81,271,238
Provision of obsolescence of spare parts	1,500,000	(1,500,000)	-	-
Provision for factory dismantling	400,000	(400,000)	-	-
Provision for site rehabilitation	200,000	(200,000)	-	-
Finance cost	819,391	238,514	-	1,057,905
Inventories	53,399,556	-	6,350,649	59,750,205
Prepayments and other receivables	3,840,248	-	468,107	4,308,355
Change in spare parts inventory	2,512,955	-	(2,512,955)	-
Purchase of property, plant and equipment and capital work in progress	(8,117,012)	-	(8,964,214)	(17,081,226)
Capital work in progress	(5,126,520)	-	5,126,520	-
Repayments of lease liability	(2,411,292)	-	(468,107)	(2,879,399)

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These modifications are summarised as follows:

Restatement (1)

The impact of calculating the depreciation of property, plant and equipment as a result of the change in the useful life of property, plant and equipment in 2019, to comply with the requirements of IAS (8) "Accounting Policies, Changes in Accounting Estimates and Errors".

Restatement (2)

The impact of reclassifying the spare parts account in accordance with the requirements of IAS 16 into strategic and reserve spare parts that have been classified into machinery and equipment, and consumable spare parts that have been classified into inventory. The Company depreciates spare parts included in the machinery and equipment. This amendment is retrospectively in order to comply with the requirements of IAS (8) "Accounting Policies, Changes in Accounting Estimates and Errors".

Restatement (3)

The impact of recognizing the provision for the rehabilitation of areas subject to a franchise license at the present value of the expected cost of rehabilitation the site and the plan land of the Company. The present value of the provision was estimated and the provision was recorded at the expected present value at the end of the factory's useful life, and this requires retrospective adjustment as a result of non-recognition of this provision initially.

Restatement (4)

The calculation of 10% of net income for 2019 was corrected to form the regular reserve for 2019, which was calculated on the basis of comprehensive income rather than the net profit.

Restatement (5)

The calculation of the 2019 Zakat provision has been corrected.

Re-classification (6)

Some comparison figures for the financial year ended 31 December 2019 and the opening balance of 2019 amounts have been reclassified to be consistent with the current presentation of financial statements.

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33. Significant events

In response to the spread of the Covid-19 in the Kingdom of Saudi Arabia and its resulting disruptions to the social and economic activities in those markets, the management of the Company had proactively assessed its impacts on its operations and took a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, and the wider community as well as to ensure the continuity of supply of its products throughout its markets. The management of the Company believes that the Covid-19 pandemic has had no material effect on the Company's reported financial results.

The Company continues to monitor the Covid-19 situation closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Company's operations during 2021.

34. Subsequent events

There are no subsequent events have occurred after the end of the year until the approval of this financial statements, which require adjustment or disclosure.

35. Approval of the financial statements

These financial statements were approved by the Board of Directors on 16 RAJAB 1442 (H) Corresponding to 28 FEBRUARY 2021 (G)



