

CITY CEMENT COMPANY
A SAUDI JOINT STOCK COMPANY

CONDENSED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

TOGETHER WITH

AND INDEPENDENT AUDITOR'S REPORT ON REVIEW

CITY CEMENT COMPANY
A Saudi Joint Stock Company

INDEX OF CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH ENDED 31 MARCH 2021(UNAUDITED)

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

Riyadh - Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **City Cement Company** - a Saudi Joint Stock Company ("the Company"), as at 31 March 2021, and the related condensed interim statement of profit or loss and other comprehensive income, the condensed interim statement of changes in equity, the condensed interim statement of cash flows for the three month period then ended, including a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34), that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of interim financial information performed by the Independent Auditor of the Entity' as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

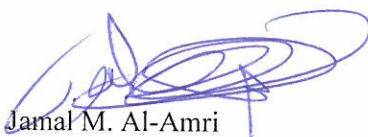
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with IAS (34), 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia.

Other matter

The condensed interim financial statements of the Company for the three month period ended 31 March 2020 were reviewed by another auditor who expressed an unmodified conclusion on those condensed interim financial statements on 7 May 2020.

For Dr. Mohamed Al-Amri & Co.,



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

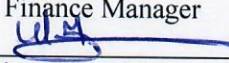
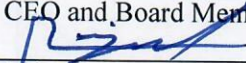
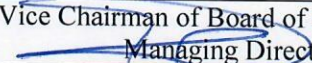


Date: 22 Ramadan 1442 (H)
Corresponding to: 04 May 2021 (G)

CITY CEMENT COMPANY
A Saudi Joint Stock Company

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
(In Saudi Riyals)

| | Notes | Balance As at | |
|--|-------|------------------------------|-------------------------------|
| | | 31 March 2021 (Unaudited) | 31 December 2020 (Audited) |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 1,436,560,391 | 1,453,644,907 |
| Right of use assets | 6 | 2,114,461 | 2,779,941 |
| Investments in equity instruments at fair value through other comprehensive income | 7 | 3,320,820 | 3,228,575 |
| Intangible assets | | 90,943 | 126,692 |
| Total non-current assets | | 1,442,086,615 | 1,459,780,115 |
| Current assets | | | |
| Inventory | | 111,191,627 | 145,146,260 |
| Trade receivables | | 43,119,030 | 39,769,398 |
| Investments in equity instruments at fair value through profit or loss | 8 | 296,736,917 | 242,098,817 |
| Prepayments and other receivables | | 15,010,298 | 11,603,307 |
| Cash and cash equivalents | | 50,010,264 | 50,061,188 |
| Total current assets | | 516,068,136 | 488,678,970 |
| Total assets | | 1,958,154,751 | 1,948,459,085 |
| Equity and Liabilities | | | |
| Equity | | | |
| Share capital | | 1,400,000,000 | 1,400,000,000 |
| Statutory reserve | | 175,470,692 | 175,470,692 |
| Other reserves | | (2,023,371) | (2,115,616) |
| Retained earnings | | 267,705,581 | 271,685,968 |
| Total equity | | 1,841,152,902 | 1,845,041,044 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Employees' end-of-service benefits | | 17,753,584 | 17,347,975 |
| Provision for rehabilitation of areas subject to franchise license | 9 | 6,513,918 | 6,449,424 |
| Total non-current liabilities | | 24,267,502 | 23,797,399 |
| Current liabilities | | | |
| Trade payables | | 16,674,779 | 16,744,015 |
| Current portion of lease liability | | 1,962,360 | 2,413,041 |
| Accrual and other payables | | 62,060,787 | 50,752,165 |
| Provision for zakat | | 12,036,421 | 9,711,421 |
| Total current liabilities | | 92,734,347 | 79,620,642 |
| Total liabilities | | 117,001,849 | 103,418,041 |
| Total equity and liabilities | | 1,958,154,751 | 1,948,459,085 |

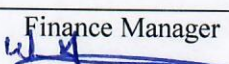

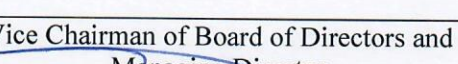
| | | |
|--|---|---|
| Finance Manager  | CEO and Board Member  | Vice Chairman of Board of Directors and Managing Director  |
| Edrees Abo Alqasem | Majed Bin Abdulrahman Al-Osailan | Bader Bin Omar Al-Abdullatif |

The accompanying notes from (1) to (20) form an integral part of these condensed interim financial statements

CITY CEMENT COMPANY
A Saudi Joint Stock Company

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

| | Notes | For the three month period ended 31 March | |
|--|-------|---|--------------------|
| | | 2021 | 2020 (Restated) |
| Sales | | 170,625,520 | 170,275,503 |
| Cost of sales | | (94,477,513) | (88,034,209) |
| Gross profit | | 76,148,007 | 82,241,294 |
| Selling and marketing expenses | | (2,683,054) | (2,736,706) |
| General and administrative expenses | | (6,873,477) | (7,397,085) |
| Operating profit | | 66,591,476 | 72,107,503 |
| Gains on changes in fair value investments in equity instruments | | 638,100 | 2,429,263 |
| Other income ,net | | 1,270,745 | 803,670 |
| Finance cost | | (95,708) | (114,039) |
| Provision of expected credit loss expense | | (60,000) | - |
| Net profit for the period before zakat | | 68,344,613 | 75,226,397 |
| Zakat expense | | (2,325,000) | (3,000,000) |
| Net profit for the period | | 66,019,613 | 72,226,397 |
| 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 | 92,245 | - |
| Total comprehensive income for the period | | 66,111,858 | 72,226,397 |
| Earnings per share | | | |
| Basic and diluted earnings per share of net profit for the period | 10 | 0.47 | 0.38 |


| | | |
|--|---|--|
| 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 (20) form an integral part of these condensed interim financial statement

CITY CEMENT COMPANY
A Saudi Joint Stock Company

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
(In Saudi Riyals)

| | Share capital | Statutory reserve | Other reserves | Retained earnings | Total equity |
|--|---------------|-------------------|----------------|-------------------|---------------|
| For the three month period ended 31 March 2021 | | | | | |
| Balance as at 1 January 2021 (Audited) | 1,400,000,000 | 175,470,692 | (2,115,616) | 271,685,968 | 1,845,041,044 |
| Net profit for the period | - | - | - | 66,019,613 | 66,019,613 |
| Items of other comprehensive income | - | - | 92,245 | - | 92,245 |
| Total comprehensive income for the period | - | - | 92,245 | 66,019,613 | 66,111,858 |
| Dividends (Note 17) | - | - | - | (70,000,000) | (70,000,000) |
| Balance as at 31 March 2021 (Unaudited) | 1,400,000,000 | 175,470,692 | (2,023,371) | 267,705,581 | 1,841,152,902 |
| For the three month period ended 31 March 2020 | | | | | |
| Balance as at 1 January 2020 (Audited) Before Restatement | 1,892,000,000 | 152,371,733 | - | 201,458,566 | 2,245,830,299 |
| Effect of Restatement (Note 19) | - | 1,049,647 | (1,417,014) | 11,783,597 | 11,416,230 |
| Balance as at 1 January 2020 (Audited) After Restatement | 1,892,000,000 | 153,421,380 | (1,417,014) | 213,242,163 | 2,257,246,529 |
| Net profit for the period (Restated) | - | - | - | 72,226,397 | 72,226,397 |
| Items of other comprehensive income | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | 72,226,397 | 72,226,397 |
| Balance as at 31 March 2020 (Unaudited) (Restated) | 1,892,000,000 | 153,421,380 | (1,417,014) | 285,468,560 | 2,329,472,926 |


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

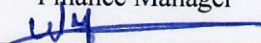
The accompanying notes from (1) to (20) form an integral part of these condensed interim financial statements.

CITY CEMENT COMPANY
A Saudi Joint Stock Company

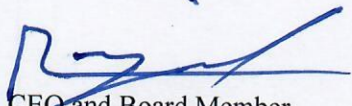
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
(In Saudi Riyals)

| | For the three month period ended 31 March | |
|--|--|--------------------|
| | 2021 | 2020 (Restated) |
| <u>Operating activities</u> | | |
| Net profit for the period before zakat | 68,344,613 | 75,226,397 |
| <u>Adjustments:</u> | | |
| Depreciation | 20,646,677 | 20,675,954 |
| Gains on changes in fair value of investment in equity instruments | (638,100) | (2,429,263) |
| Provision of expected credit loss expense | 60,000 | - |
| Provision of obsolescence inventory expense | 500,000 | 500,000 |
| Employees' end-of-service benefits | 577,124 | 536,428 |
| Finance cost | 95,708 | 114,039 |
| <u>Changes in:</u> | | |
| Inventory | 33,454,633 | 23,784,330 |
| Trade receivables | (3,409,632) | 2,341,991 |
| Prepayments and other receivables | (3,406,991) | (1,236,525) |
| Trade payables | (69,236) | 1,850,641 |
| Accrual and other payables | 11,308,622 | 12,495,712 |
| Cash from operation | 127,463,418 | 133,859,704 |
| Employees' end-of-service benefits paid | (171,515) | (38,443) |
| Net cash flows generated from operating activities | 127,291,903 | 133,821,261 |
| <u>Investing activities</u> | | |
| Purchase of investment in equity instruments at FVTPL | (119,000,000) | (281,800,000) |
| Sale of investment in equity instruments at FVTPL | 65,000,000 | 597,600,000 |
| Purchase of property, plant and equipment and Capital work in progress | (2,860,932) | (1,923,675) |
| Net cash flows (used in) / generated from investing activities | (56,860,932) | 313,876,325 |
| <u>Financing activities</u> | | |
| Dividends paid | (70,000,000) | - |
| Repayments of lease liability | (481,895) | (718,728) |
| Net cash flows used in financing activities | (70,481,895) | (718,728) |
| Net change in cash and cash equivalents | (50,924) | 446,978,858 |
| Cash and cash equivalents at the beginning of the period | 50,061,188 | 68,455,784 |
| Cash and cash equivalents at the end of the period | 50,010,264 | 515,434,642 |


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 (20) form an integral part of these condensed interim financial statements.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021 (UNAUDITED)

(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 Registration 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 periods 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 registration:

| <u>Branch name</u> | <u>CR No.</u> | <u>Date</u> | |
|--|-------------------|------------------|-----------------|
| | | <u>Hijri</u> | <u>Georgian</u> |
| 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 |

On 27 July 1442 H (corresponding 10 March 2021), the Company's Board of Directors approved the establishment of a subsidiary limited liability company wholly owned with its registered office in Riyadh with a capital of SR 500,000 specialized in providing environmental services and solutions in waste treatment and recycling, upon obtaining the required approvals and licenses from the relevant authorities.

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's capital

City Cement Company is a public joint stock company listed in the Saudi capital market. Its share capital was SAR 1,400,000,000 divided into 140,000,000 shares with a nominal value of 10 Saudi Riyals.

1.4 Fiscal year

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

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021 (UNAUDITED)

(All amounts in Saudi Riyals unless otherwise stated)

2. Basis of preparation

These Condensed Interim Financial Statements have been prepared in accordance with International Accounting Standard IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Auditors and Accountants and should be read in conjunction with the Company's last annual Financial Statements for the year ended 31 December 2020

These Condensed Interim Financial Statements have been prepared on the historical cost basis material items in the Condensed Statement of Financial Position except for the Equity Investment is measured at fair value.

These Condensed Interim Financial Statements are presented in Saudi Riyals ("SAR"), which is the Company's functional and Company's presentation currency.

3. Significant judgements and estimates

In preparing these Condensed Interim Financial Statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual Financial Statements

4. Significant accounting policies

The accounting policies applied to the interim condensed financial statements are the same as those accounting policies applied for annual financial statements as of 31 December 2020. The company's financial risk management policies and objectives are consistent with those disclosed in financial statements as of 31 December 2020.

New standards, amendments to standards, and interpretation

There are no new standards issued, however, there are number of amendments to standards, which are effective from 1 January 2021 and has been explained in annual Financial Statements, but they do not have a material effect on the Company's Condensed Interim Financial Statements.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 March 2021 (UNAUDITED)**

(All amounts in Saudi Riyals unless otherwise stated)

5. Property, plant, and equipment

| | <u>Lands</u> | <u>Machinery and Equipment</u> | <u>Buildings and roads</u> | <u>Mobile equipment</u> | <u>Vehicles</u> | <u>Furniture and fixtures</u> | <u>Capital work in progress</u> | <u>Total</u> |
|------------------------------------|------------------|--|--------------------------------|-----------------------------|-------------------|---------------------------------------|---|----------------------|
| Cost: | | | | | | | | |
| Balance as at 1 January 2021 | 3,600,000 | 1,583,799,954 | 612,579,029 | 127,512,880 | 12,803,210 | 16,709,675 | 6,517,006 | 2,363,521,754 |
| Additions | - | 1,512,412 | - | - | - | 30,333 | 1,318,187 | 2,860,932 |
| Balance as at 31 March 2021 | 3,600,000 | 1,585,312,366 | 612,579,029 | 127,512,880 | 12,803,210 | 16,740,008 | 7,835,193 | 2,366,382,686 |
| Accumulated depreciation: | | | | | | | | |
| Balance as at 1 January 2021 | - | 608,789,310 | 196,754,131 | 77,578,036 | 12,050,228 | 14,705,142 | - | 909,876,847 |
| Depreciation | - | 13,889,904 | 4,449,848 | 1,242,173 | 72,625 | 290,898 | - | 19,945,448 |
| Balance as at 31 March 2021 | - | 622,679,214 | 201,203,979 | 78,820,209 | 12,122,853 | 14,996,040 | - | 929,822,295 |
| Net book value: | | | | | | | | |
| As at 31 March 2021 | 3,600,000 | 962,633,152 | 411,375,050 | 48,692,671 | 680,357 | 1,743,968 | 7,835,193 | 1,436,560,391 |
| 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 |

- The Company uses quarries of raw materials leased from the Ministry of Industry and Mineral Resources under a license of raw materials query for a 30-year Hijri from 15/9/1426 H.
- The Company had capital commitments amounting to SAR 7,835,193 as at 31 March in respect of ongoing projects (2020: SAR 6,517,006). The majority of the capital commitments for the existing production facilities and IT equipment.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 March 2021 (UNAUDITED)**

(All amounts in Saudi Riyals unless otherwise stated)

6. Right - of - use assets

| | <u>leased land</u> | <u>leased building</u> | <u>Total</u> |
|------------------------------------|--------------------|----------------------------|------------------|
| Cost: | | | |
| Balance as at 1 January 2021 | 5,949,492 | 1,723,428 | 7,672,920 |
| Balance as at 31 March 2021 | 5,949,492 | 1,723,428 | 7,672,920 |
| Accumulated depreciation: | | | |
| Balance as at 1 January 2021 | 3,600,408 | 1,292,571 | 4,892,979 |
| Depreciation | 450,052 | 215,428 | 665,480 |
| Balance as at 31 March 2021 | 4,050,460 | 1,507,999 | 5,558,459 |
| Net book value: | | | |
| As at 31 March 2021 | 1,899,032 | 215,429 | 2,114,461 |
| As at 31 December 2020 | 2,349,084 | 430,857 | 2,779,941 |

7. Investments in equity instruments at fair value through OCI

| Saudi Arabian Oil Company (Aramco) a Saudi joint stock company | <u>Shares</u> | <u>As at 31 March 2021</u> | <u>As at 31 December 2020</u> |
|--|---------------|--------------------------------|-----------------------------------|
| Balance at the beginning of the period / year | 92,245 | 3,228,575 | 2,951,840 |
| Gains on change in fair value | | 92,245 | 276,735 |
| Total investment in shares | | 3,320,820 | 3,228,575 |

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.

On 18 March 2021, Saudi Arabian Oil Company (Aramco) - A Saudi Joint Stock Company announced the distribution of cash dividends for the fourth quarter of 2020 Dividend per share SR 0.3518 resulting in dividends amounted SAR 32,452, which are included in other revenues.

CITY CEMENT COMPANY

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 March 2021 (UNAUDITED)**

(All amounts in Saudi Riyals unless otherwise stated)

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

| | As at 31 March 2021 | As at 31 December 2020 |
|--|--------------------------------|-----------------------------------|
| Balance at the beginning of the period / year | 242,098,817 | 485,840,830 |
| Purchases during the period / year | 119,000,000 | 580,800,000 |
| Sales during the period / year | (65,000,000) | (829,600,000) |
| Gains on change in fair value | 638,100 | 5,057,987 |
| Balance at the end of the period / year | 296,736,917 | 242,098,817 |

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.

9. Provision for rehabilitation of areas subject to franchise license

The provision movement is as follow:

| | As at 31 March 2021 | As at 31 December 2020 |
|--|--------------------------------|-----------------------------------|
| Balance at the beginning of the period / year | 6,449,424 | 6,201,368 |
| Effective interest | 64,494 | 248,056 |
| Balance at the end of the period / year | 6,513,918 | 6,449,424 |

10. Earnings per share

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

| | For the three-month period ended 31 March | |
|--|--|------------------------------|
| | 2021 | 2020 (Restated) |
| Net profit for the period | 66,019,613 | 72,226,397 |
| Weighted average number of shares | Share 140,000,000 | Share 189,200,000 |
| Basic and diluted earnings per share from the net profit of the period | SAR / Share 0.47 | SAR / Share 0.38 |

CITY CEMENT COMPANY

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 March 2021 (UNAUDITED)

(All amounts in Saudi Riyals unless otherwise stated)

11. Financial facilities

The Company has un used financial facilities from local banks amounted to Saudi Riyals 90.7 million that is guaranteed by promissory note, the Company has not used until the date of the financial statements, except for what was mentioned in Note 12, and there are no obligations as a result of not using these facilities.

12. Contingent liabilities

The contingent liabilities against letters of credit are SAR 10,409,774 for the purchase of raw materials as at 31 March 2021.

The contingent liabilities against letters of guarantee are SAR 822,043 as at 31 March 2021.

13. General

As disclosed in the financial statements for the year ended 31 December 2020, 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.

14. Segment reporting

| | For the three month period ended | | For the three month period ended | |
|-------------------------|----------------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| | 31 March 2021 | | 31 March 2020 | |
| Geographical area | Cement sales | Revenue from environmental services | Cement sales | Revenue from environmental services |
| Kingdom of Saudi Arabia | 170,625,520 | 1,300,777 | 170,275,503 | 690,867 |
| Total | <u>170,625,520</u> | <u>1,300,777</u> | <u>170,275,503</u> | <u>690,867</u> |

15. Transactions with related parties

Transactions with related parties consist mainly of 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.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 March 2021 (UNAUDITED)

(All amounts in Saudi Riyals unless otherwise stated)

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

| Related parties | Nature of the transaction | For the three month period ended | |
|--|--|----------------------------------|-----------|
| | | 2021 | 2020 |
| Members of Board of the directors and Key Management Personnel | Salaries, wages, and equivalent and board remuneration and attendance allowances | 1,575,727 | 1,211,120 |

16. 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.

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.

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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 its bank balances and trade receivables.

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.

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 March 2021 | Book value | Less than one year | From 1 year to 5 years | Total |
|----------------------------|-------------------|---------------------------|-------------------------------|-------------------|
| Lease liability | 1,962,360 | 1,962,360 | - | 1,962,360 |
| Trade payables | 16,674,779 | 16,674,779 | - | 16,674,779 |
| Accrual and other payables | 62,060,787 | 62,060,787 | - | 62,060,787 |
| | 80,697,926 | 80,697,926 | - | 80,697,926 |

| 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 |
| | 69,909,221 | 69,909,221 | - | 69,909,221 |

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.

17. Dividends

On 28 February 2021, based on delegation from the general assembly meeting The Board of Directors have decided to distribute cash dividends to shareholders for the second half of 2020 (SAR 0.50 per share) amounted 70,000,000 SAR and 5% of Company's share capital.

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18. 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.

19. Restatement

The Company restated certain amounts and balances included in the prior period financial statements and accordingly to adjustments made by end of the year 2020, 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 | 1 January 2020 Previously Reported | Restatement (1) | Re-classification (4) | 1 January 2020 Restated |
|---|---|------------------------------|----------------------------------|--|
| Condensed Interim Statement of changes in equity (Audited) | | | | |
| 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) |
| | 31 March 2020 | | | 31 March 2020 Restated |
| | Previously Reported | Restatement (2,3) | Re-classification (4) | |
| Condensed Interim Statement of profit or loss and other comprehensive income (Unaudited) | | | | |
| Cost of sales | 89,839,908 | (1,805,699) | - | 88,034,209 |
| Finance cost | 52,025 | 62,014 | - | 114,039 |
| Other income ,net | (796,862) | (6,808) | - | (803,670) |
| Condensed Interim Statement of cash flows (Unaudited) | | | | |
| Net profit for the period before zakat | 73,475,904 | 1,750,493 | - | 75,226,397 |
| Depreciation | 22,331,653 | (1,655,699) | - | 20,675,954 |
| Gains on changes in fair value of investment in equity instruments | 6,808 | (6,808) | - | - |
| Factory dismantling provision | 100,000 | (100,000) | - | - |
| Site rehabilitation provision | 50,000 | (50,000) | - | - |
| Finance cost | 52,025 | 62,014 | - | 114,039 |
| Inventory | 25,719,819 | - | (1,935,489) | 23,784,330 |
| Change in spare parts Inventory | (1,935,489) | - | 1,935,489 | - |

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These modifications are summarised as follows:

Restatement (1)

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 as adjusted at the year ended 2020.

Restatement (2)

Period share of 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 (3)

Period share of interest cost of 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.

Restatement (4)

Some comparison figures for the financial period ended 31 March 2020 to be consistent with the current presentation of financial statements.

20. Approval of the interim condensed financial statements

These interim condensed financial statements were approved by the Board of Directors on 22 Ramadan 1442 (H) Corresponding to 04 May 2021 (G).
