

CITY CEMENT COMPANY
A SAUDI JOINT STOCK COMPANY

CONDENSED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2021

TOGETHER WITH

AND INDEPENDENT AUDITOR'S REPORT ON REVIEW

CITY CEMENT COMPANY
A Saudi Joint Stock Company

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INDEPENDENT AUDITOR'S REVIEW REPORT ON 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 30 June 2021, and the related condensed interim statement of profit or loss and other comprehensive income for the three and six-month periods then ended, the condensed interim statement of changes in equity, the condensed interim statement of cash flows for the six-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 (IAS 34) 'Interim Financial Reporting', 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.

For Dr. Mohamed Al-Amri & Co.



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

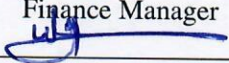
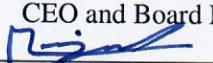



Date: 23 Dhul-Hijjah 1442 (H)
Corresponding to: 02 August 2021 (G)

CITY CEMENT COMPANY
A Saudi Joint Stock Company

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
(In Saudi Riyals)

	Notes	Balance As at	
		30 June 2021 (Unaudited)	31 December 2020 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	5	1,418,872,164	1,453,644,907
Right of use assets	6	1,448,982	2,779,941
Investments in equity instruments at fair value through other comprehensive income	7	3,237,800	3,228,575
Intangible assets		91,611	126,692
Total non-current assets		1,423,650,557	1,459,780,115
Current assets			
Inventory		119,815,830	145,146,260
Trade receivables		41,280,009	39,769,398
Investments in equity instruments at fair value through profit or loss	8	341,096,634	242,098,817
Prepayments and other receivables		17,554,995	11,603,307
Cash and cash equivalents		35,761,542	50,061,188
Total current assets		555,509,010	488,678,970
Total assets		1,979,159,567	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		(2,106,391)	(2,115,616)
Retained earnings		317,414,135	271,685,968
Total equity		1,890,778,436	1,845,041,044
Liabilities			
Non-current liabilities			
Employees' end-of-service benefits		18,322,782	17,347,975
Provision for rehabilitation of areas subject to franchise license	9	6,578,412	6,449,424
Total non-current liabilities		24,901,194	23,797,399
Current liabilities			
Trade payables		19,354,696	16,744,015
Current portion of lease liability		1,503,780	2,413,041
Accrual and other payables		37,268,662	50,752,165
Provision for zakat		5,352,799	9,711,421
Total current liabilities		63,479,937	79,620,642
Total liabilities		88,381,131	103,418,041
Total equity and liabilities		1,979,159,567	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

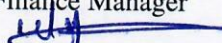

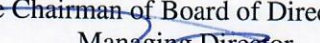
CITY CEMENT COMPANY

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 30 June		For the six-month period ended 30 June	
		2021	2020 (Restated)	2021	2020 (Restated)
Sales		119,824,755	108,865,278	290,450,275	279,140,781
Cost of sales		(62,106,416)	(61,906,748)	(156,583,929)	(149,940,957)
Gross profit		57,718,339	46,958,530	133,866,346	129,199,824
Selling and marketing expenses		(1,868,899)	(1,699,369)	(4,551,953)	(4,436,075)
General and administrative expenses		(5,474,989)	(6,997,404)	(12,348,466)	(14,394,489)
Operating profit		50,374,451	38,261,757	116,965,927	110,369,260
Gains on changes in fair value investments in equity instruments		659,717	883,590	1,297,817	3,312,853
Other income, net		1,155,092	2,124,741	2,425,837	2,928,411
Finance cost		(95,706)	(227,957)	(191,414)	(341,996)
Provision for expected credit loss expense		(60,000)	-	(120,000)	-
Net profit for the period before zakat		52,033,554	41,042,131	120,378,167	116,268,528
Zakat expense		(2,325,000)	(3,000,000)	(4,650,000)	(6,000,000)
Net profit for the period		49,708,554	38,042,131	115,728,167	110,268,528
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	(83,020)	-	9,225	6,808
Total comprehensive income for the period		49,625,534	36,185,946	115,737,392	106,668,658
Earnings per share					
Basic and diluted earnings per share of net profit for the period	10	0.36	0.20	0.83	0.58

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 six-month period ended 30 June 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	-	-	-	115,728,167	115,728,167
Items of other comprehensive income	-	-	9,225	-	9,225
Total comprehensive income for the period	-	-	9,225	115,728,167	115,737,392
Dividends (Note 17)	-	-	-	(70,000,000)	(70,000,000)
Balance as at 30 June 2021 (Unaudited)	1,400,000,000	175,470,692	(2,106,391)	317,414,135	1,890,778,436
For the six-month period ended 30 June 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)	-	-	-	110,268,528	110,268,528
Items of other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	110,268,528	110,268,528
Balance as at 30 June 2020 (Unaudited) (Restated)	1,892,000,000	153,421,380	(1,417,014)	323,510,691	2,367,515,057


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

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CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

(In Saudi Riyals)

	For the six-month period ended 30 June	
	2021	2020 (Restated)
<u>Operating activities</u>		
Net profit for the period before zakat	120,378,167	116,268,528
<u>Adjustments:</u>		
Depreciation	41,245,109	42,102,163
Gains on changes in fair value of investment in equity instruments	(1,297,817)	(3,312,853)
Provision for expected credit loss expense	120,000	-
Provision for obsolescence inventory expense	1,000,000	-
Employees' end-of-service benefits	1,273,771	1,107,914
Finance cost	191,414	341,996
<u>Changes in:</u>		
Inventory	24,330,430	19,298,542
Trade receivables	(1,630,611)	4,302,531
Prepayments and other receivables	(5,951,688)	524,517
Trade payables	2,610,681	941,301
Accrual and other payables	(13,179,116)	188,262
Cash from operation	<u>169,090,340</u>	<u>181,762,901</u>
Zakat paid	(9,008,622)	-
Employees' end-of-service benefits paid	(298,964)	(191,934)
Net cash flows generated from operating activities	<u>159,782,754</u>	<u>181,570,967</u>
<u>Investing activities</u>		
Purchase of investment in equity instruments at FVTPL	(162,700,000)	(379,800,000)
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	(5,106,326)	(3,898,015)
Purchase of intangible assets	-	(21,419)
Net cash flows (used in) / generated from investing activities	<u>(102,806,326)</u>	<u>213,880,566</u>
<u>Financing activities</u>		
Dividends paid	(70,000,000)	-
Repayments of lease liability	(1,276,074)	-
Net cash flows used in financing activities	<u>(71,276,074)</u>	<u>-</u>
Net change in cash and cash equivalents	(14,299,646)	395,451,533
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	<u>35,761,542</u>	<u>463,907,317</u>

Non-cash transactions from investing activities:

Purchase of property, plant and equipment against Provision for rehabilitation of areas subject to franchise license	-	5,476,643
Transfer from Capital work in progress to property, plant and equipment and	-	577,124

Non-cash transactions from Financing activities:

Transfer from of lease liability to Accrual and other payables	304,387	1,333,405
Finance Manager	CEO and Board Member	Vice Chairman of Board of Directors and Managing Director
<u>Edrees Abo Alqasem</u>	<u>Majed Bin Abdulrahman Al-Osailan</u>	<u>Bader Bin Omar Al-Abdullatif</u>

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 AND SIX-MONTH PERIODS ENDED 30 JUNE 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

On 27 /7/ 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.

On 20 June 2021, the Company announced the completion of the issuance of the article association and the Commercial Register of its subsidiary under the Commercial Registration No. 1010664201.

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 AND SIX-MONTH PERIODS ENDED 30 JUNE 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 endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA") 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 Interim Statement of Financial Position except for the Equity Investment which 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 condensed Interim 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
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2021 (UNAUDITED)**

(All amounts in Saudi Riyals unless otherwise stated)

5. Property, plant, and equipment

Cost:	Land	Machinery and Equipment	Buildings and roads	Mobile equipment	Vehicles	Furniture and fixtures	Capital work in progress	Total
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	-	2,633,683	-	-	206,228	189,223	2,077,192	5,106,326
Balance as at 30 June 2021	3,600,000	1,586,433,637	612,579,029	127,512,880	13,009,438	16,898,898	8,594,198	2,368,628,080
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	-	27,787,398	8,897,691	2,484,346	145,412	564,222	-	39,879,069
Balance as at 30 June 2021	-	636,576,708	205,651,822	80,062,382	12,195,640	15,269,364	-	949,755,916
Net book value:								
As at 30 June 2021	3,600,000	949,856,929	406,927,207	47,450,498	813,798	1,629,534	8,594,198	1,418,872,164
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 8,594,198 as at 30 June 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

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 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 30 June 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	900,102	430,857	1,330,959
Balance as at 30 June 2021	4,500,510	1,723,428	6,223,938
Net book value:			
As at 30 June 2021	1,448,982	-	1,448,982
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 30 June 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		9,225	276,735
Total investment in shares		3,237,800	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.

Saudi Arabian Oil Company (Aramco) - A Saudi Joint Stock Company announced the distribution of cash dividends for the fourth quarter of 2020 and the first quarter of 2021 resulting in dividends amounted SAR 64,904 which are included in other revenue.

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FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2021 (UNAUDITED)**

(All amounts in Saudi Riyals unless otherwise stated)

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

	<u>As at 30 June 2021</u>	<u>As at 31 December 2020</u>
Balance at the beginning of the period / year	242,098,817	485,840,830
Purchases during the period / year	162,700,000	580,800,000
Sales during the period / year	(65,000,000)	(829,600,000)
Gains on change in fair value	1,297,817	5,057,987
Balance at the end of the period / year	<u>341,096,634</u>	<u>242,098,817</u>

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:

	<u>As at 30 June 2021</u>	<u>As at 31 December 2020</u>
Balance at the beginning of the period / year	6,449,424	6,201,368
Effective interest	128,988	248,056
Balance at the end of the period / year	<u>6,578,412</u>	<u>6,449,424</u>

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 30 June		For the six-month period ended 30 June	
	2021	2020 (Restated)	2021	2020 (Restated)
Net profit for the period	<u>49,708,554</u>	<u>38,042,131</u>	<u>115,728,167</u>	<u>110,268,528</u>
Weighted average number of shares	<u>Share 140,000,000 SAR / Share</u>	<u>Share 189,200,000 SAR / Share</u>	<u>Share 140,000,000 SAR / Share</u>	<u>Share 189,200,000 SAR / Share</u>
Basic and diluted earnings per share from the net profit of the period	<u>0.36</u>	<u>0.20</u>	<u>0.83</u>	<u>0.58</u>

CITY CEMENT COMPANY

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 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 3,252,771 as at 30 June 2021.

The contingent liabilities against letters of guarantee are SAR 7,523,804 as at 30 June 2021.
for the purchase of raw materials and spare parts

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, who has presented the necessary defences, , the case is currently under consideration by the competent committee.

14. Segment reporting

Geographical area	For the three-month period ended 30 June 2021		For the six-month period ended 30 June 2020	
	Cement sales	Revenue from environmental services	Cement sales	Revenue from environmental services
Kingdom of Saudi Arabia	290,450,275	2,489,073	279,140,781	1,602,013
Total	<u>290,450,275</u>	<u>2,489,073</u>	<u>279,140,781</u>	<u>1,602,013</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) Whether it's executive or not)..

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.

CITY CEMENT COMPANY

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2021 (UNAUDITED)**

(All amounts in Saudi Riyals unless otherwise stated)

<u>Related parties</u>	<u>Nature of the transaction</u>	<u>For the six-month period ended 30 June</u>	
		<u>2021</u>	<u>2020</u>
Members of Board of the directors and Key Management Personnel	Salaries, wages, and equivalent and board remuneration and attendance allowances	4,215,846	4,964,910

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.

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.

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(All amounts in Saudi Riyals unless otherwise stated)

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 30 June 2021	Book value	Less than one year	From 1 year to 5 years	Total
Lease liability	1,503,780	1,503,780	-	1,503,780
Trade payables	19,354,696	19,354,696	-	19,354,696
Accrual and other payables	37,268,662	37,268,662	-	37,268,662
	<u>58,127,138</u>	<u>58,127,138</u>	<u>-</u>	<u>58,127,138</u>

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>-</u>	<u>69,909,221</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.

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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FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2021 (UNAUDITED)**

(All amounts in Saudi Riyals unless otherwise stated)

18. Restatement

The Company restated certain amounts and balances included in the prior period financial statements and according 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:

	1 January 2020			1 January 2020
	Previously Reported	Restatement (1)	Re-classification (4)	Restated
Condensed Interim Statement of changes in equity (Audited)				
Statuary 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)
	30 June 2020			30 June 2020
	Previously Reported	Restatement (2,3)	Re-classification (4)	Restated
Condensed Interim Statement of profit or loss and other comprehensive income (Unaudited)				
Cost of sales	153,664,855	(3,723,898)	-	149,940,957
Finance cost	217,968	124,028	-	341,996
Other income, net	(2,921,603)	(6,808)	-	(2,928,411)
Condensed Interim Statement of cash flows (Unaudited)				
Net profit for the period before zakat	112,661,850	3,606,678	-	116,268,528
Depreciation	45,093,081	(2,990,918)	-	42,102,163
Factory dismantling provision	500,000	(500,000)	-	-
Site rehabilitation provision	(267,020)	267,020	-	-
Finance cost	217,968	124,028	-	341,996
Gains on changes in fair value of investment in equity instruments	6,808	(6,808)	-	-
Inventory	24,048,302	-	(4,749,760)	19,298,542
Change in spare parts Inventory	(4,749,760)	-	4,749,760	-
change in investment in equity instruments at FVTPL	217,800,000	-	(217,800,000)	-
Purchase of investment in equity instruments at FVTPL	-	-	(379,800,000)	(379,800,000)
Sale of investment in equity instruments at FVTPL	-	-	597,600,000	597,600,000

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(All amounts in Saudi Riyals unless otherwise stated)

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 2020, to comply with the requirements of IAS (8) "Accounting Policies, Changes in Accounting Estimates and Errors".

Restatement (3)

Period share of interest cost impacted from recognizing the provision for the rehabilitation of areas subject to a franchise license which done at the end of 2020, At the present value of the expected cost of rehabilitation the site of the company's factory land.

Restatement (4)

Some comparison figures for the financial period ended 30 June 2020 to be consistent with the current presentation of financial statements.

19. 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.

20. Approval of the interim condensed financial statements

These interim condensed financial statements were approved by the Board of Directors on 23 Dhul-Hijjah 1442 (H) Corresponding to 02 August 2021 (G).
