

**YANBU CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE THREE-MONTH
PERIOD ENDED 31 MARCH 2021 AND
INDEPENDENT AUDITOR'S REVIEW REPORT**

Yanbu Cement Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 31 March 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE SHAREHOLDERS OF YANBU CEMENT COMPANY (A SAUDI JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Yanbu Cement Company, a Saudi Joint Stock Company ("the Company" or "the Parent Company") and its Subsidiary (collectively referred to as "the Group") as at 31 March 2021, and the related interim condensed consolidated statement of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended and a summary of significant accounting policies and other explanatory notes from 1 to 18. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.


Scope of review

We conducted our review in accordance with 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 statements consists of making inquiries, primarily to the 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.


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



22 April 2021(G)
10 Ramadan 1442 (H)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME (UNAUDITED)
 For the three-month period ended 31 March 2021

		<i>For the three- month period ended 31 March 2021</i>	<i>For the three - month period ended 31 March 2020</i>
		<i>SR</i>	<i>SR</i>
	<i>Note</i>	<i>Unaudited</i>	<i>Unaudited</i>
Revenue	4	292,397,531	277,400,146
Cost of revenue		(211,172,327)	(166,351,042)
GROSS PROFIT		81,225,204	111,049,104
Selling and distribution expenses		(4,289,992)	(3,203,677)
General and administrative expenses		(8,357,837)	(10,045,507)
PROFIT FROM OPERATIONS		68,577,375	97,799,920
Gain / (loss) on derivative instruments at fair value through profit or loss	16	19,106	(561,637)
Finance costs		(1,109,719)	(1,335,670)
Other income		8,360,531	416,481
Finance income		31,067	607,342
PROFIT BEFORE ZAKAT		75,878,360	96,926,436
Zakat	6	(2,485,000)	(4,700,000)
PROFIT FOR THE PERIOD		73,393,360	92,226,436
OTHER COMPREHENSIVE INCOME:			
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement on employee benefits' liabilities		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		73,393,360	92,226,436
Profit for the period:			
<i>Attributable to:</i>			
Owners of the parent		72,762,841	92,017,528
Non-controlling interest		630,519	208,908
		73,393,360	92,226,436
EARNINGS PER SHARE			
Basic and diluted earnings per share attributable to owners of the parent	13	0.46	0.58

The attached notes 1 to 18 form an integral part of these unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

As at 31 March 2021

	Note	31 March 2021 Unaudited SR	31 December 2020 Audited SR
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	2,604,632,036	2,631,098,412
Intangible assets		3,679,202	4,225,187
TOTAL NON-CURRENT ASSETS		2,608,311,238	2,635,323,599
CURRENT ASSETS			
Inventories	9	635,529,108	671,139,754
Trade receivables	8	158,437,085	161,598,756
Prepayments, advances and other receivables		28,931,374	24,368,460
Cash and bank balances		120,546,470	137,015,441
TOTAL CURRENT ASSETS		943,444,037	994,122,411
TOTAL ASSETS		3,551,755,275	3,629,446,010
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	1,575,000,000	1,575,000,000
Statutory reserve	11	787,500,000	787,500,000
Retained earnings		706,804,096	634,041,255
Equity attributable to the owners of the parent		3,069,304,096	2,996,541,255
Non-controlling interest		32,757,123	32,126,604
TOTAL EQUITY		3,102,061,219	3,028,667,859
NON-CURRENT LIABILITIES			
Term loans	10(a)	12,972,222	25,944,444
Employee benefits' liabilities		80,319,117	76,645,958
Lease liability		6,213,469	6,135,672
TOTAL NON-CURRENT LIABILITIES		99,504,808	108,726,074
CURRENT LIABILITIES			
Trade payables		49,661,130	60,156,929
Financial derivatives	16	1,215,315	1,234,421
Current portion of term loans	10(a)	51,888,889	51,888,889
Short term borrowings	10(b)	43,210,625	-
Dividends payable		80,803,290	276,156,597
Accrued expenses and other current liabilities		104,872,947	85,424,459
Zakat payable	6	18,537,052	17,190,782
TOTAL CURRENT LIABILITIES		350,189,248	492,052,077
TOTAL LIABILITIES		449,694,056	600,778,151
TOTAL EQUITY AND LIABILITIES		3,551,755,275	3,629,446,010

The attached notes 1 to 18 form an integral part of these unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the three-month period ended 31 March 2021

	<i>Attributable to the owners of the parent</i>				<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Total</i>		
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
As at 1 January 2021 (Audited)	1,575,000,000	787,500,000	634,041,255	2,996,541,255	32,126,604	3,028,667,859
<i>Total comprehensive income for the period</i>	-	-	72,762,841	72,762,841	630,519	73,393,360
Balance at 31 March 2021 (Unaudited)	1,575,000,000	787,500,000	706,804,096	3,069,304,096	32,757,123	3,102,061,219

	<i>Attributable to owners of the parent</i>				<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained Earnings</i>	<i>Total</i>		
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
As at 1 January 2020 (Audited)	1,575,000,000	787,500,000	909,510,092	3,272,010,092	29,950,498	3,301,960,590
<i>Total comprehensive income for the period</i>	-	-	92,017,528	92,017,528	208,908	92,226,436
Balance at 31 March 2020 (Unaudited)	1,575,000,000	787,500,000	1,001,527,620	3,364,027,620	30,159,406	3,394,187,026

The attached notes 1 to 18 form an integral part of these unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three-month period ended 31 March 2021

	<i>Note</i>	<i>For the three-month period ended 31 March 2021 SR Unaudited</i>	<i>For the three-month period ended 31 March 2020 SR Unaudited</i>
OPERATING ACTIVITIES			
Profit before zakat		75,878,360	96,926,436
<i>Adjustment to reconcile operating income to net cash flows:</i>			
Depreciation of property, plant and equipment	7	47,383,576	47,519,460
Amortization for intangible assets		545,985	400,182
Finance costs		1,109,719	1,335,670
(Gain) / loss on derivative instruments at fair value through profit or loss		(19,106)	561,637
Provision for employee benefits' liabilities		6,965,440	5,349,573
		131,863,974	152,092,958
<i>Working capital changes:</i>			
Trade receivables		3,161,671	2,495,242
Inventories		35,610,646	(1,406,788)
Prepayments, advances and other receivables		(4,562,914)	(5,116,513)
Trade payables		(10,495,799)	(3,224,343)
Accrued expenses and other current liabilities		20,098,488	6,911,223
		175,676,066	151,751,779
Zakat paid	6	(1,138,730)	-
Employee benefits' liabilities paid		(3,292,281)	(433,119)
Finance cost paid		(1,031,922)	(1,255,064)
Net cash generated from operating activities		170,213,133	150,063,596
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(20,917,200)	(13,205,887)
Net cash used in investing activities		(20,917,200)	(13,205,887)
FINANCING ACTIVITIES			
Lease liability		(650,000)	(650,000)
Proceeds from term loans		43,210,625	-
Repayment of term loans		(12,972,222)	(12,972,222)
Dividends paid to owners of the parent		(195,353,307)	(9,375)
Net cash used in financing activities		(165,764,904)	(13,631,597)
NET CHANGES IN CASH AND BANK BALANCES		(16,468,971)	123,226,112
Cash and bank balances at the beginning of the period		137,015,441	176,751,996
CASH AND BANK BALANCES AT THE END OF THE PERIOD		120,546,470	299,978,108

The attached notes 1 to 18 form an integral part of these unaudited interim condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-month period ended 31 March 2021

1 CORPORATE INFORMATION

Yanbu Cement Company (“the Company” or “the Parent Company”) - a Saudi Joint Stock Company - established in accordance with Companies regulations in the Kingdom of Saudi Arabia by the Royal Decree No. M/10 dated on 4 Rabi' I 1397H (corresponding to 22 February 1977), and it is registered in Yanbu city under Commercial Registration (CR) No. 4700000233 dated on 21 Dhul-Qi'dah 1398H (corresponding to 24 October 1978). The Company's shares are listed in the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia. These interim condensed consolidated financial statements comprise the Company and its subsidiary (together referred to as the "Group").

The Company's capital is SR 1,575 million which is divided into 157,500,000 shares of SR 10 per share as at 31 March 2021 and 31 December 2020. The Board of Director through its meeting dated 30 January 2021 recommended to decrease the existing share capital of the Company from SR 1,575 million to SR 1,000 million by cancelling 57,500,000 shares (36.5%) of the Company. However, subsequent to the period ended 31 March 2021, the Board of Directors decided to postpone the above reduction in share (Refer note 17).

The Company is mainly engaged in manufacturing, producing and trading in cement and its related products as per industrial license No. 2239 issued on 10 Sha'ban 1439H (corresponding to 26 April 2018) which ends on 10 Sha'ban 1442H (corresponding to 23 March 2021).

The registered address of the Company is Yanbu Cement building located at Al Baghdadiyah Al Gharbiyah District, P. O. Box 5330, Jeddah 21422, Kingdom of Saudi Arabia. The Company has branches in Jeddah and Madina with CR numbers 4030021367 and 4650020461 respectively.

There has been no change in the Company's interest in its Subsidiary, Yanbu Saudi Kuwaiti Paper Products (the “Subsidiary”), and its equity accounted investment in associate, Knowledge Center for Cement Training Limited (the “Associate”), since its last annual consolidated financial statements for the year ended 31 December 2020.

The Group has carried out its impact assessment on COVID 19 during the three-month period ended 31 March 2021 and disclosed its impact in note 3 of these interim condensed consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” “IAS 34” that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements. They should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020. In addition, results for the interim period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

The interim condensed consolidated financial statements have been prepared on a historical cost basis except for financial derivatives that have been measured at fair value and for employee benefits, projected unit credit method is used. The interim condensed consolidated financial statements are presented in Saudi Riyals (“SR”), which is the functional and presentational currency of the Group.

2.2 Significant accounting judgments, estimates and assumptions

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's the key sources of estimation uncertainty were the same as those described in the consolidated financial statements for the year ended 31 December 2020.

However, as explained in note 3, the Group has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. Management believes that all sources of estimation uncertainty remain similar to those disclosed in the last annual financial statements. The Group will continue to monitor the situation, and any changes required will be reflected in future reporting periods.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (Continued)

For the three-month period ended 31 March 2021

2 SIGNIFICANT ACCOUNTING POLICES (continued)

2.3 New standards, interpretations and amendments adopted by the Group

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020, except for amendments to IFRS 16: COVID-19 Related Rent Concessions beyond 30 June 2021, effective as of 1 January 2021.

Other new and amended standards and Interpretations issued by the International Accounting Standards Board (IASB) that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021

In March 2021, the IASB amended IFRS 16 Leases, extending the practical expedient in order to permit lessees to apply it to rent concessions for which reductions in lease payments affect payments originally due on or before 30 June 2022. This amendment is applicable for annual reporting periods beginning on or after 1 April 2021, with early application permitted, including in financial statements not authorised for issue at 31 March 2021.

The Group, being a lessee, did not receive any rent concession during the period and accordingly not affected by this amendment.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (Continued)

For the three-month period ended 31 March 2021

3 SIGNIFICANT MATTERS DURING THE PERIOD

COVID-19 updates

The outbreak of novel coronavirus (“COVID-19”) since early 2020, spread globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia, however, the Group managed to maintain its profitable position and generated revenue amounting to SR 292.4 million during the current period ended 31 March 2021 compared to SR 277.4 million during comparative period ended 31 March 2020. The COVID-19 pandemic, though impacted the economic activities and businesses across the world, has not impacted the economic activity and the Group’s business considering its customer base is represented by cement sector which was not affected significantly in Saudi Arabia on account of, inter alia, government expenditure on public projects. Moreover, export sales during the current period is increased to SR 44.3 million compared to SR 28.9 million during the comparative period despite travel restrictions and lock-downs in some countries on account of second/third wave of the pandemic during current period.

The extent to which coronavirus pandemic impacts the Group's business, operations and financial results is uncertain and depends on many factors and future developments. These factors include virus transmission rate, the duration of the outbreak, travel restrictions, contraction in the product demands including cement in the global market, demand of shipping and logistics, precautionary actions that may be taken by governmental authorities to reduce the spread of the epidemic and the impact of those actions on economic activity, the business of the Company's customers and partners and other factors. The Group is carefully monitoring the COVID-19 pandemic and the effect it has on sales of cement and clinker inside and outside the Kingdom of Saudi Arabia. The Group has activated its risk management practices to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

The above uncertainties have required the Group to update its judgments and estimation uncertainty applied in the Group's consolidated financial statements for the year ended 31 December 2020. Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Group’s management carried out an impact assessment on the overall Group’s operations and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, etc., and concluded that, as of the issuance date of these interim condensed consolidated financial statements, no significant changes are required to the judgements and key estimates. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective development and will take further actions as necessary and appropriate in response to the economic disruption and other COVID-19 consequences.

4 REVENUE

The Group’s revenue is described below:

	<i>For the three-month period ended 31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>SR</i>	<i>SR</i>
<i>Product type</i>	<i>Unaudited</i>	<i>Unaudited</i>
Bulk cement	144,108,831	162,945,686
Packed cement	92,351,524	78,515,589
Cement bags	16,127,767	15,965,735
Raw cement (clinker)	39,809,409	19,973,136
Total revenue (*)	292,397,531	277,400,146
<i>Geographical markets</i>		
Total revenue inside the Kingdom of Saudi Arabia	248,142,471	248,542,463
Total revenue outside the Kingdom of Saudi Arabia	44,255,060	28,857,683
Total revenue	292,397,531	277,400,146

(*) The timing of the revenue recognition from the above goods is at a point in time.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (Continued)
For the three-month period ended 31 March 2021

5 SEGMENT INFORMATION

The Group is engaged in one operating segment, i.e. manufacturing cement and operates entirely within the Kingdom of Saudi Arabia. Accordingly, the financial information was not divided into different geographic or business segments. The financial information of the Subsidiary is not significant to Group's interim condensed consolidated financial statements for segment information.

6 ZAKAT

The movement in Zakat payable on the Group was as follows:

	<i>31 March 2021 SR Unaudited</i>	<i>31 December 2020 SR Audited</i>
Balance at beginning of the period /year	17,190,782	16,090,431
Provided during the period/year	2,485,000	18,601,210
Paid during the period /year	(1,138,730)	(17,500,859)
Balance at the end of the period /year	18,537,052	17,190,782

Zakat for the period ended 31 March 2021 is calculated based on the management's estimate, which may not represent an accurate indication about zakat for the year ending 31 December 2021.

Status of assessments

Parent Company:

Zakat assessment has been finalized with the General Authority for Zakat and Tax ("GAZT") up to the year ended 31 December 2019 and finalized its zakat status with GAZT until the end of the year on 31 December 2018.

Subsidiary:

The Company has submitted its zakat returns with GAZT for the years up to 31 December 2019 and paid the zakat liabilities for those years due as per the returns. Zakat assessments up to 31 December 2016 have also been finalized. During year 2020, the Company received an additional assessment for the year 2017 and 2018 with an additional zakat liability of SR 207,080 and SR 58,642 respectively and filed objections against these assessment. The assessment of 2018 was partially accepted and resulted in amending the claim to SR 35,897. Management has further objected and filed the appeal to the General Secretariat of the Tax Committees, which is still under their study.

7 PROPERTY, PLANT AND EQUIPMENT

For purpose of preparing the interim condensed consolidated statement of cash flows, movement in property, plant and equipment during the three- month period ended 31 March is as follows:

	<i>For the three-month period ended 31 March</i>	
	<i>2021 SR Unaudited</i>	<i>2020 SR Unaudited</i>
Depreciation	47,383,576	47,519,460
Addition to property, plant and equipment	20,917,200	13,205,887

The plants are situated on land leased from the Deputy Ministry for Mineral Resources, of Ras Baridi in Yanbu, for 30 Hijri years commencing 4 Rabi' I 1398H (corresponding to 12 February 1978). The lease has been renewed for a similar period for 30 years on 3 Rabi' I 1428H (corresponding to 22 March 2007). The lease is renewable for further similar years, as mentioned above, subject to the agreement of both parties.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (Continued)
For the three-month period ended 31 March 2021

8 TRADE RECEIVABLES

	<i>31 March 2021 SR Unaudited</i>	<i>31 December 2020 SR Audited</i>
Total trade receivables	160,396,051	163,557,722
Allowance for expected credit losses	(1,958,966)	(1,958,966)
	158,437,085	161,598,756

Trade receivables are non-interest bearing and are generally on the term of 30 to 90 days.

9 INVENTORIES

	<i>31 March 2021 SR Unaudited</i>	<i>31 December 2020 SR Audited</i>
Spare parts, net	213,193,068	201,044,683
Work in process	379,469,131	422,615,439
Raw materials	22,308,632	26,327,133
Fuel	17,694,125	16,605,157
Packaging materials	2,494,112	2,962,362
Other materials	370,040	1,584,980
	635,529,108	671,139,754

As at 31 March 2021, the Group maintains provision against slow-moving spare parts amounting to SR 102.4 million (31 December 2020 : SR 102.4 million).

10 TERM LOANS

(a) The outstanding term loans as at the statement of financial position are as follows:

	<i>31 March 2021 SR Unaudited</i>	<i>31 December 2020 SR Audited</i>
National Commercial Bank loan	64,861,111	77,833,333
The current portion	(51,888,889)	(51,888,889)
The non-current portion	12,972,222	25,944,444

During 2015, the Parent Company has entered into Murabaha facilities contracts amounting to SR 250 million with the National Commercial Bank (“NCB”) to finance the construction of power generating plant from waste thermal energy project. The loan balance has been fully utilized as at 31 December 2017. The loan will be repaid monthly until July 2022. The loan is subject to finance costs at prevailing Saudi rate (“SIBOR”) plus agreed commission rate. The power generating plant from waste thermal energy project was fully collateralized as a guarantee to NCB.

(b) Short term borrowings

During the period 2020, the Parent Company entered into Islamic Financing Facilities contracts with Gulf International Bank and Bank Albilad each amounting to SR 100 million at SIBOR plus agreed commission rate to meet its working capital requirements. The facilities availed during the year 2020 were also fully paid off during the same year. As on 31 March 2021, the outstanding amounts of SR 33.2 million and SR 10.04 respectively were classified under current liabilities since these are due for payment to Gulf International Bank and Bank Albilad within 12 months from the date of its financial position.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (Continued)
For the three-month period ended 31 March 2021

11 STATUTORY RESERVE

In accordance with the Parent Company's By-laws, the Parent Company is required to transfer at least 10% of the net income to the statutory reserve. The Parent Company may cease such transfers when the statutory reserve equals 30% of the capital. This having been achieved in previous year, the Parent Company resolved to discontinue such transfers.

12 DIVIDENDS

On 5 March 2020 (corresponding to 10 Rajab 1441), the Board of Directors of the Parent Company recommended to the General Assembly to distribute cash dividends amounting of 196.88 million SR (1.25 per share) for the second half of the year ending 31 December 2019 which represent 12.5% of the nominal value of shares. The General Assembly, at its meeting on 3 June 2020 (corresponding to 11 Shawwal 1441), approved the above dividend recommendation of the Board of Directors.

13 EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the income for the period attributable to equity holders in the Parent Company by the weighted average number of ordinary shares which are 157.5 million shares.

The table below reflects the details of the net income for the period and the number of shares used in calculating basic and diluted earnings per share:

	<i>For the three-month period ended 31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>Unaudited</i>	<i>Unaudited</i>
Profit for the period attributable to ordinary shareholders of the Parent Company (SR' 000)	72,763	92,018
The weighted average number of outstanding ordinary shares (000' shares)	157,500	157,500
Basic and diluted earnings per share attributable to shareholders of the Parent Company (Saudi Riyals)	0.46	0.58

There has been no item of dilution affecting the weighted average number of ordinary shares.

14 CONTINGENCIES AND CAPITAL COMMITMENTS

As at 31 March 2021, the capital commitments related to projects under construction amounted to SR 19.5 million (31 December 2020: SR 26.4 million).

As at 31 March 2021, the contingencies against banks' letter of guarantees issued on behalf of the Group amounted to SR 33.2 million (31 December 2020: SR 33.2 million).

As at 31 March 2021, the Group has bank letter of credits issued amounting to SR 10.5 million (31 December 2020: SR 15.2 million) issued from a bank in the Kingdom of Saudi Arabia.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

For the three-month period ended 31 March 2021

15 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, Board of Directors, the Group's key management personnel and enterprises managed or significantly influenced by those parties. The following are the details of major-related parties' transactions during the three-month periods ended 31 March 2021:

Allowances and compensation of the Board of Directors and senior executives

- A. The Group's senior management includes key management personnel and executives, Board of Directors, having authorities and responsibilities for planning, directing and controlling the activities of the Group.
- B. Board of Directors and committees' compensation charged and accrued during the three-month period ended 31 March 2021 amounting to SR 0.8 million (31 March 2020: SR 0.96 million).

Key management personnel compensation comprised the following:

	<i>For the three-month period ended 31 March</i>	
	2021	2020
	SR	SR
	<i>Unaudited</i>	<i>Unaudited</i>
Short term employee benefits	1,640,000	1,006,713
Post-employment benefits	116,792	89,801
	1,756,792	1,096,514

The Group entered into transaction with its associate under mutually agreed terms and conditions:

<u>Associate</u>	<u>Amount of transaction</u>		<u>Due to related party</u>	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020
	SR	SR	SR	SR
<i>(Nature of transaction)</i>	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Audited</i>
Training cost charges by associate	-	1,877,646	60,952	109,813

16 FAIR VALUE MEASUREMENT

All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (Continued)
For the three-month period ended 31 March 2021

16 FAIR VALUE MEASUREMENT (Continued)

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

<i>Liabilities measured at fair value</i>	<i>Date of valuation</i>	Total SR	<i>Fair value measurement using</i>		
			<i>Quoted prices in active markets (Level 1) SR</i>	<i>Significant observable inputs (Level 2) SR</i>	<i>Significant unobservable inputs (Level 3) SR</i>
Financial derivatives	<i>31 March 2021 (Unaudited)</i>	1,215,315	-	1,215,315	-

<i>Liabilities measured at fair value</i>	<i>Date of valuation</i>	Total SR	<i>Fair value measurement using</i>		
			<i>Quoted prices in active markets (Level 1) SR</i>	<i>Significant observable inputs (Level 2) SR</i>	<i>Significant unobservable inputs (Level 3) SR</i>
Financial derivatives	<i>31 December 2020 (Audited)</i>	1,234,421	-	1,234,421	-

The Group enters into derivative financial instrument principally with financial institutions having investment-grade credit ratings. Derivatives valued using valuation techniques with observable market inputs is interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations.

As at 31 March 2021 and 31 December 2020, the fair values of the Group's financial instruments are estimated to approximate their carrying values and are classified under level 2 of the fair value hierarchy. The fair value of trade receivables as at 31 March 2021 and 31 December 2020 is carrying amount because of short term nature of the balance.

Fair values of the Group's borrowings are determined by using Discounted Cash Flows (DCF) method using a discount rate that reflects the borrowing rate as at the end of the reporting period. As at 31 March 2021 and 31 December 2020, the carrying amounts of borrowings were not materially different from their calculated fair values.

During the three months ended 31 March, 2021 and year ended 31 December 2020, there were no movements between the levels.

17 SUBSEQUENT EVENTS

On April 5, 2021, the Board of Directors decided to postpone the recommendation to reduce the capital in response to the "Shrek" program launched by the Crown Prince and to take advantage of the Company's financial solvency to support the objectives of this program and invest in promising local investment opportunities.

18 APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements for the Group for the three-month period ended 31 March 2021 were approved by the Board of Directors on 22 April 2021 (corresponding to 10 Ramadan 1442).