YANBU CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2021 AND INDEPENDENT AUDITOR'S REVIEW REPORT

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and six-month periods ended 30 June 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 30 June 2021, and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended, and the interim condensed consolidated statements of changes in shareholders' equity and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes from 1 to 17. 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") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this 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", that is 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, that are 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.

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س.ت ٤٠٣٠٢٧٥٣٣٠
Jeddah
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15 July 2021(G)
5 Dhul-Hijjah 1442 (H)

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPRESHENSIVE INCOME (UNAUDITED)
For the three-month and six-month periods ended 30 June 2021

	Note	***For the three- month period ended 30 June 2021***	*For the three-month period ended 30 June 2020*	***For the six - month period ended 30 June 2021***	*For the six - month period ended 30 June 2020*
		SR	*SR*	***SR***	*SR*
	Note	***Unaudited***	*Unaudited*	***Unaudited***	*Unaudited*
Revenue	4	242,687,895	156,933,539	535,085,426	434,333,685
Cost of revenue		(189,546,998)	(100,801,103)	(400,719,325)	(267,152,145)
GROSS PROFIT		**53,140,897**	**56,132,436**	**134,366,101**	**167,181,540**
Selling and distribution expenses		(2,155,576)	(4,787,361)	(6,445,568)	(7,991,039)
General and administrative expenses		(7,911,801)	(7,760,429)	(16,269,638)	(17,805,936)
PROFIT FROM OPERATIONS		**43,073,520**	**43,584,646**	**111,650,895**	**141,384,565**
Gain / (loss) on derivative instruments at fair value through profit or loss	16	747,930	293,459	767,036	(268,177)
Finance costs		(898,837)	(1,221,668)	(2,008,556)	(2,557,338)
Other income		893,621	645,916	9,254,152	1,062,397
Finance income		57,366	281,974	88,433	889,316
PROFIT BEFORE ZAKAT		**43,873,600**	**43,584,327**	**119,751,960**	**140,510,763**
Zakat	6	(2,040,000)	(6,250,000)	(4,525,000)	(10,950,000)
PROFIT FOR THE PERIOD		**41,833,600**	**37,334,327**	**115,226,960**	**129,560,763**
OTHER COMPREHENSIVE INCOME:					
Items not to be reclassified to profit or loss in subsequent periods:					
Re-measurement of employee benefits' liabilities		-	-	-	-
TOTAL COMPREHENSIVE INCOME FORTHE PERIOD		**41,833,600**	**37,334,327**	**115,226,960**	**129,560,763**
Profit for the period:					
Attributable to:					
Owners of the parent		41,444,857	36,664,770	114,207,698	128,682,298
Non-controlling interest		388,743	669,557	1,019,262	878,465
		41,833,600	**37,334,327**	**115,226,960**	**129,560,763**
EARNINGS PER SHARE					
Basic and diluted earnings per share attributable to owners of the parent	13	**0.26**	**0.23**	**0.73**	**0.82**

The attached notes 1 to 17 form an integral part of these unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Note	*30 June 2021 Unaudited SR*	*31 December 2020 Audited SR*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	2,603,439,429	2,631,098,412
Intangible assets		3,650,201	4,225,187
TOTAL NON-CURRENT ASSETS		**2,607,089,630**	**2,635,323,599**
CURRENT ASSETS			
Inventories	9	590,158,897	671,139,754
Trade receivables	8	153,033,467	161,598,756
Prepayments, advances and other receivables		22,797,366	24,368,460
Cash and bank balances		127,821,006	137,015,441
TOTAL CURRENT ASSETS		**893,810,736**	**994,122,411**
TOTAL ASSETS		**3,500,900,366**	**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		748,248,953	634,041,255
Equity attributable to the owners of the parent		**3,110,748,953**	**2,996,541,255**
Non-controlling interest		31,145,866	32,126,604
TOTAL EQUITY		**3,141,894,819**	**3,028,667,859**
NON-CURRENT LIABILITIESS			
Term loans	10(a)	-	25,944,444
Employee benefits' liabilities		79,557,155	76,645,958
Lease liability		5,634,412	6,135,672
TOTAL NON-CURRENT LIABILITIES		**85,191,567**	**108,726,074**
CURRENT LIABILITIES			
Trade payables		32,381,572	60,156,929
Financial derivatives	16	467,385	1,234,421
Current portion of term loans	10(a)	51,888,889	51,888,889
Short term borrowings	10(b)	30,130,607	-
Dividends payable		80,450,514	276,156,597
Accrued expenses and other current liabilities		67,834,174	85,424,459
Zakat payable	6	10,660,839	17,190,782
TOTAL CURRENT LIABILITIES		**273,813,980**	**492,052,077**
TOTAL LIABILITIES		**359,005,547**	**600,778,151**
TOTAL EQUITY AND LIABILITIES		**3,500,900,366**	**3,629,446,010**

The attached notes 1 to 17 form an integral part of these unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
For the six-month period ended 30 June 2021

	Attributable to the owners of the parent					
	Share capital	*Statutory reserve*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*
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
Profit for the period	-	-	114,207,698	114,207,698	1,019,262	115,226,960
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	**114,207,698**	**114,207,698**	**1,019,262**	**115,226,960**
Dividends to non-controlling interest	-	-	-	-	(2,000,000)	(2,000,000)
Balance at 30 June 2021 (Unaudited)	**1,575,000,000**	**787,500,000**	**748,248,953**	**3,110,748,953**	**31,145,866**	**3,141,894,819**

	Attributable to owners of the parent					
	Share capital	*Statutory reserve*	*Retained Earnings*	*Total*	*Non-controlling interests*	*Total equity*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*
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
Profit for the period	-	-	128,682,298	128,682,298	878,465	129,560,763
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	**128,682,298**	**128,682,298**	**878,465**	**129,560,763**
Dividends to owners of the parent	-	-	(196,875,000)	(196,875,000)	-	(196,875,000)
Balance at 30 June 2020 (Unaudited)	**1,575,000,000**	**787,500,000**	**841,317,390**	**3,203,817,390**	**30,828,963**	**3,234,646,353**

The attached notes 1 to 17 form an integral part of these unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the six-month period ended 30 June 2021

	Note	***For the six-month period ended 30 June 2021 SR Unaudited***	*For the six-month period ended 30 June 2020 SR Unaudited*
OPERATING ACTIVITIES			
Profit before zakat		**119,751,960**	140,510,763
Adjustment to reconcile operating income to net cash flows:			
Depreciation of property, plant and equipment	7	96,063,878	95,196,716
Amortization for intangible assets		1,378,326	800,366
Finance costs		2,008,556	2,557,338
(Gain) / loss on derivative instruments at fair value through profit or loss		(767,036)	268,177
Provision for employee benefits' liabilities		8,484,889	7,561,690
Provision for expected credit losses		(383,579)	-
		226,536,994	**246,895,050**
Working capital changes:			
Trade receivables		8,948,868	7,926,221
Inventories		80,980,857	(67,404,494)
Prepayments, advances and other receivables		1,571,094	(3,602,188)
Trade payables		(27,775,357)	14,609,547
Accrued expenses and other current liabilities		(18,240,285)	(24,757,064)
		272,022,171	**173,667,072**
Zakat paid	6	(11,054,943)	(1,038,362)
Employee benefits' liabilities paid		(5,573,692)	(570,085)
Finance cost paid		(1,859,816)	(2,401,664)
Net cash generated from operating activities		**253,533,720**	**169,656,961**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(69,208,235)	(20,482,593)
Net cash used in investing activities		**(69,208,235)**	**(20,482,593)**
FINANCING ACTIVITIES			
Lease liability		-	(650,000)
Repayment of term loans		(25,944,444)	(12,972,222)
Net movement of short-term borrowings		30,130,607	30,594,333
Dividends paid to owners of the parent		(195,706,083)	(195,263,760)
Dividends paid to non-controlling interest		(2,000,000)	-
Net cash used in financing activities		**(193,519,920)**	(178,291,649)
NET CHANGES IN CASH AND BANK BALANCES		**(9,194,435)**	(29,117,281)
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		**127,821, 006**	147,634,715

The attached notes 1 to 17 form an integral part of these unaudited interim condensed consolidated financial statements.

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 30 Jun 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, on 5 April 2021, the Board of Directors again 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

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 04 Ramadan 1444H (corresponding to 26 March 2023).

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 six-month period ended 30 June 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 Certified 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 30 June 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. SIGNIFICANT ACCOUNTING POLICES (continued)

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.

2.3 New standards, interpretations and amendments adopted by the Group

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).
The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no material impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

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.

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 535.1 million during the current period ended 30 June 2021 compared to SR 434.4 million during comparative period ended 30 June 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 92.1 million compared to SR 38.9 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 Group has performed an assessment of whether it is going concern in the light of current economic conditions and all available information about future risk and uncertainties. The projections have been prepared covering the Group's future performance and liquidity. Even during the challenging time, the Group was able to manage its liquidity position by proactively controlling cost components, managing capital expenditure within the budgets and expanding its export base. Further, the Group is low-leveraged and consequently the management believes that it is better placed off the headwinds as compared to its competitors.

Management is cognizant of the challenges that lie ahead and will continue proactively adapt in order to ensure optimum performance of the Group.

Management believes that the above action, combined with other strategies and operational measures taken by the Board of Directors, are realistic and reasonable and will effectively maintain the profitability of the Group and improve its ability to generate future profits and cash flows and continue its operations in the future period.

The impact of COVID-19 may continue to evolve, but at present time the projections demonstrate that the Group has sufficient resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2020. As a results, these consolidated financial statements continue to be prepared on a going concern basis.

The Group will continue to closely monitor the impact of COVID-19 as the situation progresses to manage the potential business disruption, COVID-19 outbreak may have its operational and financial performance in 2021.

4. REVENUE

The Group's revenue is described below:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2021	2020	**2021**	2020
	SR	SR	**SR**	SR
Product type	***Unaudited***	*Unaudited*	***Unaudited***	*Unaudited*
Bulk cement	118,100,483	91,257,322	262,209,314	254,203,008
Packed cement	65,532,746	46,636,018	157,884,270	125,151,607
Cement bags	11,184,394	19,040,199	27,312,161	35,005,934
Raw cement (clinker)	47,870,272	-	87,679,681	19,973,136
Total revenue (*)	**242,687,895**	**156,933,539**	**535,085,426**	**434,333,685**
Geographical markets				
Total revenue inside the Kingdom of Saudi Arabia	194,817,623	146,883,669	442,960,094	395,426,132
Total revenue outside the Kingdom of Saudi Arabia	47,870,272	10,049,870	92,125,332	38,907,553
Total revenue	**242,687,895**	**156,933,539**	**535,085,426**	**434,333,685**

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

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:

	30 June 2021	*31 December 2020*
	SR	*SR*
	Unaudited	*Audited*
Balance at beginning of the period /year	17,190,782	16,090,431
Provided during the period/year	4,525,000	18,601,210
Paid during the period /year	(11,054,943)	(17,500,859)
Balance at the end of the period /year	**10,660,839**	**17,190,782**

Zakat for the period ended 30 June 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
For the six-month period ended 30 June 2021

6 ZAKAT (Continued)

Status of assessments

Parent Company:

The Company has submitted its zakat returns with Zakat and Tax and Customs Authority ("the Authority") for the years up to 31 December 2020 and paid the zakat liabilities for those years due as per the returns. Zakat assessment has been finalized with the Authority until the year ended 31 December 2018. During the current period, the Company has received request for additional information for the years 2019 and 2020, the same were provided and under review with the Authority. However, no assessment order is issued till to date for these years.

Subsidiary:

The Company has submitted its zakat returns with the Authority for the years up to 31 December 2020 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 assessments which were rejected by the Authority. Management has further objected and filed the appeal to the General Secretariat of the Tax Committees, Preliminary Appeals Committee, 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 six- month period ended 30 June as follows:

	For the six-month period ended 30 June	
	2021	*2020*
	SR	*SR*
	Unaudited	*Unaudited*
Depreciation	96,063,878	95,196,716
Addition to property, plant and equipment	69,208,235	20,482,593

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.

8. TRADE RECEIVABLES

	***30** June*	*31 December*
	2021	*2020*
	SR	*SR*
	Unaudited	*Audited*
Total trade receivables	154,608,854	163,557,722
Allowance for expected credit losses	(1,575,387)	(1,958,966)
	153,033,467	**161,598,756**

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
For the six-month period ended 30 June 2021

9. INVENTORIES

	30 June 2021 SR Unaudited	*31 December 2020 SR Audited*
Spare parts, net	211,552,320	201,044,683
Work in process	330,798,791	422,615,439
Raw materials	27,598,670	26,327,133
Fuel	16,648,060	16,605,157
Packaging materials	3,118,675	2,962,362
Other materials	442,381	1,584,980
	590,158,897	**671,139,754**

As at 30 June 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:

	30 June 2021 SR Unaudited	*31 December 2020 SR Audited*
National Commercial Bank loan	-	77,833,333
The current portion	(51,888,889)	(51,888,889)
The non-current portion	**(51,888,889)**	**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 colleterated 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 30 June 2021, the total outstanding amounts of SR 30.1 million 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.

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 statuary reserve equals 30% of the capital. This having been achieved in previous year, the Parent Company resolved to discontinue such transfers.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
For the six-month period ended 30 June 2021

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 SR 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:

	For the three-month period ended 30 June		***For the six-month period ended 30 June***	
	2021 Unaudited	*2020 Unaudited*	***2021 Unaudited***	*2020 Unaudited*
Profit for the period attributable to ordinary shareholders of the Parent Company (SR' 000)	**41,445**	36,665	**114,208**	128,682
The weighted average number of outstanding ordinary shares (000' shares)	**157,500**	157,500	**157,500**	157,500
Basic and diluted earnings per share attributable to shareholders of the Parent Company (Saudi Riyals)	**0.26**	**0.23**	**0.73**	**0.82**

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

14. CONTINGENCIES AND CAPITAL COMMITMENTS

As at 30 June 2021, the capital commitments related to projects under construction amounted to SR 2.4 million (31 December 2020: SR 26.4 million).

As at 30 June 2021, the contingencies against banks' letter of guarantees issued on behalf of the Group amounted to SR 40.7 million (31 December 2020: SR 33.2 million).

As at 30 June 2021, the Group has bank letter of credits issued amounting to SR 16.2 million (31 December 2020: SR 15.2 million) issued from a bank in the Kingdom of Saudi Arabia.

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 six-month periods ended 30 June 2021:

Allowances and compensation of the Board of Directors and senior executives

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.

Board of Directors and committees' compensation charged and accrued during the six-month period ended 30 June 2021 amounting to SR 1.8 million (30 June 2020: SR 1.9 million).

Key management personnel compensation comprised the following:

	For the three-month period ended 30 June		*For the six-month period ended 30 June*	
	2021	*2020*	***2021***	*2020*
	Unaudited	*Unaudited*	***Unaudited***	*Unaudited*
Short term employee benefits	1,614,500	1,102,560	3,254,500	2,109,273
Post-employment benefits	90,188	94,353	206,900	184,154
	1,704,688	1,196,913	**3,461,400**	2,293,427

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

Associate	*Amount of transaction*		*Due to related party*	
Knowledge Center for Cement Training Limited	***30 June 2021 SR***	*31 December 2020 SR*	***30 June 2021 SR***	*31 December 2020 SR*
(Nature of transaction)	***Unaudited***	*Audited*	***Unaudited***	*Audited*
Training cost charges by associate	-	1,877,646	**(37,038)**	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.

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:

			Fair value measurement using		
Liabilities measured at fair value	***Date of valuation***	**Total**	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***
		SR	***SR***	***SR***	***SR***
Financial derivatives	*30 June 2021 (Unaudited)*	**467,385**	**-**	**467,385**	**-**

			Fair value measurement using		
Liabilities measured at fair value	*Date of valuation*	Total	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservab le inputs (Level 3)*
		SR	*SR*	*SR*	*SR*
Financial derivatives	*31 December 2020 (Audited)*	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 30 June 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 30 June 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 30 June 2021 and 31 December 2020, the carrying amounts of borrowings were not materially different from their calculated fair values.

During the six months ended 30 June 2021 and year ended 31 December 2020, there were no movements between the levels.

17. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements for the Group for the six-month period ended 30 June 2021 were approved by the Board of Directors on 15 July 2021 (corresponding to 5 Dhul Hijjah 1442).