

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

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

**FOR THE THREE-MONTH AND NINE-MONTH
PERIODS ENDED 30 SEPTEMBER 2020 AND
INDEPENDENT AUDITOR'S REVIEW REPORT**

Yanbu Cement Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2020

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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 September 2020, and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statements of changes in shareholders' equity and cash flows for the nine-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 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" 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 that is endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.


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



14 October 2020 (G)
27 Safar 1442 (H)

Yanbu Cement Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2020

		<i>For the three-month period ended 30 September 2020</i>	<i>For the three-month period ended 30 September 2019</i>	<i>For the nine-month period ended 30 September 2020</i>	<i>For the nine-month period ended 30 September 2019</i>
	<i>Note</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Revenue	4	240,357,842	227,967,801	674,691,527	697,342,451
Cost of revenue		(150,710,636)	(152,492,621)	(417,862,781)	(466,033,739)
GROSS PROFIT		89,647,206	75,475,180	256,828,746	231,308,712
Selling and distribution expenses		(2,003,007)	(2,525,693)	(9,994,046)	(11,986,722)
General and administrative expenses		(4,425,095)	(7,240,117)	(22,231,031)	(31,996,334)
PROFIT FROM OPERATIONS		83,219,104	65,709,370	224,603,669	187,325,656
Gain/(loss) on derivative instruments at fair value through profit or loss	16	603,404	(18,469)	335,227	(935,404)
Finance costs		(1,330,513)	(1,943,161)	(3,887,851)	(5,806,616)
Other income		2,870,935	660,386	3,933,332	3,549,002
Finance income		120,048	-	1,009,364	-
PROFIT BEFORE ZAKAT		85,482,978	64,408,126	225,993,741	184,132,638
Zakat	6	(3,000,000)	(3,062,524)	(13,950,000)	(9,762,524)
PROFIT FOR THE PERIOD		82,482,978	61,345,602	212,043,741	174,370,114
OTHER COMPREHENSIVE INCOME:					
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>					
Re-measurement on employee benefits' liabilities		(6,208,885)	-	(6,208,885)	(2,589,503)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		76,274,093	61,345,602	205,834,856	171,780,611
Profit for the period:					
<i>Attributable to:</i>					
Owners of the parent		81,434,965	61,937,023	210,117,263	174,898,399
Non-controlling interest		1,048,013	(591,421)	1,926,478	(528,285)
		82,482,978	61,345,602	212,043,741	174,370,114
EARNINGS PER SHARE					
Basic and diluted earnings per share attributable to owners of the parent	13	0.52	0.39	1.33	1.11
Total comprehensive income for the period:					
<i>Attributable to:</i>					
Owners of the parent		75,226,080	61,937,023	203,908,378	172,308,896
Non-controlling interest		1,048,013	(591,421)	1,926,478	(528,285)
		76,274,093	61,345,602	205,834,856	171,780,611

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

Yanbu Cement Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

As at 30 September 2020

	Note	30 September 2020 Unaudited SR	31 December 2019 Audited SR
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	2,649,864,794	2,759,042,370
Intangible assets		4,771,172	3,201,452
Investment in an associate company using the equity method	3.2	245,000	-
TOTAL NON-CURRENT ASSETS		2,654,880,966	2,762,243,822
CURRENT ASSETS			
Inventories	9	672,667,114	563,957,102
Trade receivables	8	161,268,154	169,760,791
Prepayments, advances and other receivables	15	22,704,746	17,813,553
Cash and bank balances		246,772,189	176,751,996
TOTAL CURRENT ASSETS		1,103,412,203	928,283,442
TOTAL ASSETS		3,758,293,169	3,690,527,264
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		759,043,470	909,510,092
Equity attributable to the owners of the parent		3,121,543,470	3,272,010,092
Non-controlling interest		31,876,976	29,950,498
TOTAL EQUITY		3,153,420,446	3,301,960,590
NON-CURRENT LIABILITIES			
Term loans	10(a)	38,916,667	64,861,111
Employee benefits' liabilities		76,510,501	64,556,905
Lease liability		6,058,798	6,477,160
TOTAL NON-CURRENT LIABILITIES		121,485,966	135,895,176
CURRENT LIABILITIES			
Trade payables	15	45,418,420	32,287,067
Financial derivatives	16	1,728,428	2,063,655
Current portion of term loans	10(a)	51,888,889	51,888,889
Short term borrowings	10(b)	71,774,827	-
Dividends payable		236,410,079	77,304,031
Accrued expenses and other current liabilities		62,659,129	73,037,425
Zakat payable	6	13,506,985	16,090,431
TOTAL CURRENT LIABILITIES		483,386,757	252,671,498
TOTAL LIABILITIES		604,872,723	388,566,674
TOTAL EQUITY AND LIABILITIES		3,758,293,169	3,690,527,264

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

Yanbu Cement Company (A Saudi Joint Stock Company)

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

For the nine-month period ended 30 September 2020

	<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>		
	SR	SR	SR	SR	SR
As at 1 January 2020 (Audited)	1,575,000,000	787,500,000	909,510,092	29,950,498	3,301,960,590
Profit for the period	-	-	210,117,263	1,926,478	212,043,741
Other comprehensive loss for the period	-	-	(6,208,885)	-	(6,208,885)
Total comprehensive income for the period	-	-	203,908,378	1,926,478	205,834,856
Dividends (note 12)	-	-	(354,375,000)	-	(354,375,000)
Balance at 30 September 2020 (Unaudited)	1,575,000,000	787,500,000	759,043,470	31,876,976	3,153,420,446
	<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>		
	SR	SR	SR	SR	SR
As at 1 January 2019 (Audited)	1,575,000,000	787,500,000	846,380,093	32,057,218	3,240,937,311
Profit for the period	-	-	174,898,399	(528,285)	174,370,114
Other comprehensive loss for the period	-	-	(2,589,503)	-	(2,589,503)
Total comprehensive income for the period	-	-	172,308,896	(528,285)	171,780,611
Dividends (note 12)	-	-	(196,875,000)	-	(196,875,000)
Dividends to non-controlling interests	-	-	-	(2,000,000)	(2,000,000)
Balance at 30 September 2019 (Unaudited)	1,575,000,000	787,500,000	821,813,989	29,528,933	3,213,842,922

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

Yanbu Cement Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine-month period ended 30 September 2020

	Note	<i>For the nine- month period ended 30 September 2020</i> SR	<i>For the nine- month period ended 30 September 2019</i> SR
		<i>Unaudited</i>	<i>Unaudited</i>
OPERATING ACTIVITIES			
Profit before zakat		225,993,741	184,132,638
<i>Adjustment to reconcile operating income to net cash flows:</i>			
Depreciation of property, plant and equipment	7	143,663,791	144,481,685
Amortization for intangible assets		1,346,349	1,200,545
Finance costs		3,887,851	5,806,616
Gain on derivative instruments at fair value through profit or loss		(335,227)	935,404
Provision for employee benefits' liabilities		6,416,145	6,758,071
Allowance for expected credit losses		(304,246)	3,642,938
		380,668,404	346,957,897
<i>Working capital changes:</i>			
Trade receivables		8,796,883	(8,695,371)
Inventories		(108,710,012)	31,509,668
Prepayments, advances and other receivables		(4,891,193)	1,045,147
Trade payables		13,131,353	(6,083,036)
Accrued expenses and other current liabilities		(10,378,296)	(20,807,591)
		278,617,139	343,926,174
Zakat paid	6	(16,533,446)	(9,706,333)
Employee benefits' liabilities paid		(671,434)	(8,237,258)
Finance cost paid		(3,656,213)	(5,555,498)
Net cash generated from operating activities		257,756,046	320,427,625
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(34,486,215)	(29,397,307)
Investment in associate company through equity method	3.2	(245,000)	-
Purchase of intangible assets		(2,916,069)	-
Net cash used in investing activities		(37,647,284)	(29,397,307)
FINANCING ACTIVITIES			
Lease liability		(650,000)	(650,000)
Proceeds from term loans		71,774,827	-
Repayment of term loans		(25,944,444)	(38,916,667)
Net movement of short-term borrowings		-	(57,533,847)
Dividends paid to owners of the parent		(195,268,952)	(79,410,067)
Dividends paid to non-controlling interest		-	(1,000,000)
Net cash used in financing activities		(150,088,569)	(177,510,581)
INCREASE IN CASH AND BANK BALANCES		70,020,193	113,519,737
Cash and bank balances at the beginning of the period		176,751,996	51,453,074
CASH AND BANK BALANCES AT THE END OF THE PERIOD		246,772,189	164,972,811
MAJOR NON-CASH TRANSACTION			
Right-of-use asset and lease liabilities	7(b)	-	7,153,653
Dividend payable to non-controlling interests		-	1,000,000
Re-measurement loss on employee benefits' liabilities		6,208,885	2,589,503

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
30 September 2020

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 No. 470000233 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.

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 September 2020 and 31 December 2019.

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 commercial registration 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”), since its financial statements for the year ended 31 December 2019 and the Company's group structure, except for the investment in the new associate company disclosed in note 3.2 of these interim condensed consolidated financial statements.

The Group has carried out its impact assessment on COVID 19 during the nine months ended 30 September 2020 and disclosed its impact in note 3.1 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.

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 2019. In addition, results for the interim period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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 2019.

However, as explained in note 3.1, 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)
30 September 2020

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 2019, except for the adoption of new standards below, effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial statements of the Group as it does not have any interest rate hedge relationships but may impact future periods should the Group enter into any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements and not expected to have any future impact to the Group.

Amendments to IFRS 16: COVID-19-Related Rent Concessions

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession. The Group, being a lessee, did not receive any rent concession during the period and accordingly is not affected by this amendment.

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

30 September 2020

3 SIGNIFICANT MATTERS DURING THE PERIOD

3.1 Covid-19 assessment

The outbreak of novel coronavirus (“COVID-19”) since early 2020, its spread across mainland China and then globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization necessitated the Group’s management to revisit its significant judgments in applying the Group’s accounting policies and the methods of computation and the key sources of estimation applied to the annual consolidated financial statements for the year ended 31 December 2019. 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, 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.

3.2 Investment in associate company using the equity method

During year 2020, the Company has 49% investment in Knowledge Center for Cement Training Limited (the associate company), a mixed limited liability company registered in the Kingdom of Saudi Arabia and have a share capital of SR 500,000. The associate company is established to conduct short term cement training programs. The remaining 51% shareholding is held by FLSmidth Company.

4 REVENUE

The Group’s revenue is described below:

<i>Product Type</i>	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Bulk cement	135,242,061	105,621,152	389,464,420	311,796,148
Packed cement	75,936,960	62,585,234	201,088,566	180,259,968
Cement bags	19,734,285	18,150,337	54,740,219	38,967,834
Raw cement (clinker)	9,444,536	41,611,078	29,398,322	166,318,501
Total revenue (*)	240,357,842	227,967,801	674,691,527	697,342,451
Total revenue inside the Kingdom of Saudi Arabia	221,210,946	181,494,213	616,656,429	506,267,997
Total revenue outside the Kingdom of Saudi Arabia	19,146,896	46,473,588	58,035,098	191,074,454
Total revenue	240,357,842	227,967,801	674,691,527	697,342,451

(*) 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.

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

30 September 2020

6 ZAKAT

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

	<i>30 September 2020 SR Unaudited</i>	<i>31 December 2019 SR Audited</i>
Balance at beginning of the period /year	16,090,431	8,914,421
Provided during the period/year	13,950,000	19,098,803
Paid during the period /year	(16,533,446)	(11,922,793)
Balance at the end of the period /year	<u>13,506,985</u>	<u>16,090,431</u>

Zakat for the period ended 30 September 2020 is calculated based on the management's estimate, which may not represent an accurate indication about zakat for the year ending 31 December 2020.

Status of assessments

Parent Company:

The Company submitted its zakat returns to the General Authority of Zakat and Tax (the "Authority") for the years until 31 December 2019. The Company finalized its zakat status with the Authority until the year ended 31 December 2013. The Authority conducted an inspection requesting additional information for the years from 2014 to 2017, which resulted in additional zakat charge of SAR 8.5 million. The Company has objected to the additional zakat amount demanded by the Authority. The Company's management believes that it is in a good position to not to pay the additional zakat mentioned above.

Subsidiary:

The Subsidiary submitted its zakat returns to the Authority for the years until 31 December 2019, and the Company closed its zakat status with the Authority until the year ended 31 December 2016. The Company received the adjusted assessment for the year 2017 with additional zakat charge of SR 207,080 and submitted an objection. The Company also received the revised assessment for the year 2018, with an additional zakat difference of SR 58,642 and has submitted an objection to the additional zakat amount demanded by the Authority. The Authority has rejected the Company's objection for the above assessment years and the Company has further appealed to the General Secretariat of the Tax Committee which is still under review.

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 nine month period ended 30 September is as follows:

	<i>For the nine-month period ended 30 September</i>	
	<i>2020 SR Unaudited</i>	<i>2019 SR Unaudited</i>
Depreciation	143,663,791	144,481,685
Addition to property, plant and equipment	34,486,215	36,550,960

- a) 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.
- b) During the period ending 30 September 2019, an amount of SR 7,153,653, was added to the purchases of property, plant and equipment as a right to use asset resulting from the application of IFRS 16..

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (Continued)
30 September 2020

8 TRADE RECEIVABLES

	<i>30 September 2020 SR Unaudited</i>	<i>31 December 2019 SR Audited</i>
Total trade receivables	163,822,334	172,619,217
Allowance for expected credit losses	(2,554,180)	(2,858,426)
	<u>161,268,154</u>	<u>169,760,791</u>

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

9 INVENTORIES

	<i>30 September 2020 SR Unaudited</i>	<i>31 December 2019 SR Audited</i>
Work in process	407,802,281	341,830,436
Spare parts, net	220,402,069	186,172,853
Raw materials	21,483,672	15,422,007
Fuel	18,834,858	18,561,439
Packaging materials	3,640,490	1,151,088
Other materials	503,744	819,279
	<u>672,667,114</u>	<u>563,957,102</u>

As at 30 September 2020, the Group maintains provision against slow-moving spare parts amounting to SR 102.4 million (31 December 2019: SR 102.4 million).

10 TERM LOANS

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

	<i>30 September 2020 SR Unaudited</i>	<i>31 December 2019 SR Audited</i>
National Commercial Bank loan	90,805,556	116,750,000
The current portion	(51,888,889)	(51,888,889)
The non-current portion	<u>38,916,667</u>	<u>64,861,111</u>

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 an Islamic Financing Facility contract with Gulf International Bank amounting to SR 100 million at SIBOR plus agreed commission rate to meet its working capital requirements. As on 30 September 2020, an outstanding amount was SR 71.8 million was classified under current liabilities since it is due for payment within 12 months from the date of its financial position.

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

30 September 2020

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 and the Parent Company resolved to discontinue such transfers.

12 DIVIDENDS

On 22 July 2020 (corresponding to 1 Dhu al-Hijjah 1441), the Board of Directors of the Parent Company approved to distribute cash dividends amounting of 157.5 million SR (1 per share) for the first half of the year ending 31 December 2020, which represent 10% of the nominal value of shares.

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 196.875 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 recommendation of the Board of Directors regarding dividends.

On 6 August 2019 (corresponding to 5 Dhu al-Hijjah 1440), the Board of Directors of the Parent Company recommended to the General Assembly to distribute cash dividends amounting of 118.13 million SR (0.75 per share) for the first half of the year ending 31 December 2019 which represent 7.5% of the nominal value of the share.

On 19 March, 2019 (corresponding to 12 Rajab 1440), the Board of Directors of the Parent Company recommended to the General Assembly to distribute cash dividends in the amount of SR 78.75 million (0.5 Saudi Riyals per share) for the second half of the year 2018, equivalent to 5% of the nominal value of shares. At its meeting on 10 June 2019 (corresponding to 7 Shawwal 1440), the General Assembly approved the above recommendation of the Board of Directors regarding dividends.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
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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 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Profit for the period attributable to ordinary shareholders of the Parent Company (SR' 000)	81,435	61,937	210,117	174,898
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)	0.52	0.39	1.33	1.11

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

14 CONTINGENCIES AND CAPITAL COMMITMENTS

As at 30 September 2020, the capital commitments related to projects under construction amounted to SR 34.1 million (31 December 2019: SR 49.4 million).

As at 30 September 2020, the contingencies against banks' letter of guarantees issued on behalf of the Group amounted to SR 32.9 million (31 December 2019: SR 8.1 million).

As at 30 September 2020, the Group has bank letter of credits issued amounting to SR 3.7 million (31 December 2019: SR 3.7 million) issued from a bank in the Kingdom of Saudi Arabia.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

30 September 2020

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 and nine-month periods ended 30 September 2020:

Related party transactions

Significant transactions with related parties in the ordinary course of business included in the financial statements are summarized below:

		2020	2019
<i><u>Transactions with affiliated companies</u></i>	<i><u>Nature of transaction</u></i>		
FLSmidth Company – Denmark (FLS Denmark) (*)	Purchases of spares and services	32,753,058	15,935,943
FLSmidth Company – Saudi Arabia (FLS Saudi Arabia) (**)	Advances for services	840,743	-

(*) As a result of above transactions, an amount of SR 4.2 million is due to FLS Denmark as at 30 September 2020 (31 December 2019: SR Nil) and included in trade payables. Similarly, an amount of SR nil is due from FLS Denmark as at 30 September 2020 (31 December 2019: SR 11.1 million) and included in prepayment, advances and other receivables.

(**) As a result of above transactions, an amount of SR 8.5 million is due from FLS Saudi Arabia as at 30 September 2020 (31 December 2019: SR nil) and included in prepayment, advances and other receivables.

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 nine-month period ended 30 September 2020 amounting to SR 2.64 million (30 September 2019: SR 2.76 million).

Key management personnel compensation comprised the following:

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2020 SR Unaudited</i>	<i>2019 SR Unaudited</i>	<i>2020 SR Unaudited</i>	<i>2019 SR Unaudited</i>
Short term employee benefits	1,120,000	907,333	3,229,273	3,285,333
Post-employment benefits	91,000	75,502	275,154	287,250
	<u>1,211,000</u>	<u>982,835</u>	<u>3,504,427</u>	<u>3,572,583</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

30 September 2020

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.

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	Fair value measurement using		
			<i>Quoted prices in active markets (Level 1)</i> SR	<i>Significant observable inputs (Level 2)</i> SR	<i>Significant unobservable inputs (Level 3)</i> SR
Financial derivatives	30 September 2020 (Unaudited)	1,728,428	-	1,728,428	-

<i>Liabilities measured at fair value</i>	<i>Date of valuation</i>	Total SR	Fair value measurement using		
			<i>Quoted prices in active markets (Level 1)</i> SR	<i>Significant observable inputs (Level 2)</i> SR	<i>Significant unobservable inputs (Level 3)</i> SR
Financial derivatives	31 December 2019 (Audited)	2,063,655	-	2,063,655	-

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 September 2020 and 31 December 2019, 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 September 2020 and 31 December 2019 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 September 2020 and 31 December 2019, the carrying amounts of borrowings were not materially different from their calculated fair values.

During the nine months ended 30 September, 2020 and year ended 31 December 2019, 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 three-month and nine-month periods ended 30 September 2020 were approved by the Board of Directors on 14 October 2020 (corresponding to 27 Safar 1442).