

**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 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 and nine-month periods ended 30 September 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 September 2021, and the related interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statement of changes in shareholders' equity and interim condensed consolidated statement of cash flows for the nine-month period then ended and the a summary of significant accounting policies and other explanatory notes. 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

Jeddah on 24 October 2021(G)  
Corresponding to: 18 Rabi' Al-Awal 1443 (H)

Yanbu Cement Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)

For the three-month and nine-month periods ended 30 September 2021

		<i>For the three- month period ended 30 September 2021</i>	<i>For the three- month period ended 30 September 2020</i>	<i>For the nine- month period ended 30 September 2021</i>	<i>For the nine- month period ended 30 September 2020</i>
		SR	SR	SR	SR
	<i>Note</i>				
Revenue	4	207,784,488	240,357,842	742,869,914	674,691,527
Cost of revenue		(157,224,486)	(150,710,636)	(557,943,811)	(417,862,781)
<b>GROSS PROFIT</b>		<b>50,560,002</b>	<b>89,647,206</b>	<b>184,926,103</b>	<b>256,828,746</b>
Selling and distribution expenses		(2,399,766)	(2,003,007)	(8,845,334)	(9,994,046)
General and administrative expenses		(10,686,239)	(4,425,095)	(26,955,877)	(22,231,031)
<b>PROFIT FROM OPERATIONS</b>		<b>37,473,997</b>	<b>83,219,104</b>	<b>149,124,892</b>	<b>224,603,669</b>
Gain on derivative instruments at fair value through profit or loss	16	243,566	603,404	1,010,602	335,227
Finance costs		(953,893)	(1,330,513)	(2,962,449)	(3,887,851)
Other income		2,849,115	2,870,935	12,103,266	3,933,332
Finance income		106,641	120,048	195,075	1,009,364
<b>PROFIT BEFORE ZAKAT</b>		<b>39,719,426</b>	<b>85,482,978</b>	<b>159,471,386</b>	<b>225,993,741</b>
Zakat	6	(3,315,000)	(3,000,000)	(7,840,000)	(13,950,000)
<b>PROFIT FOR THE PERIOD</b>		<b>36,404,426</b>	<b>82,482,978</b>	<b>151,631,386</b>	<b>212,043,741</b>
<b>OTHER COMPREHENSIVE LOSS:</b>					
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>					
Re-measurement on employee benefits' liabilities		(5,392,760)	(6,208,885)	(6,333,905)	(6,208,885)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>31,011,666</b>	<b>76,274,093</b>	<b>145,297,481</b>	<b>205,834,856</b>
<b>Profit for the period:</b>					
<i>Attributable to:</i>					
Owners of the parent		35,480,812	81,434,965	149,688,510	210,117,263
Non-controlling interest		923,614	1,048,013	1,942,876	1,926,478
		<b>36,404,426</b>	<b>82,482,978</b>	<b>151,631,386</b>	<b>212,043,741</b>
<b>EARNINGS PER SHARE</b>					
Basic and diluted earnings per share attributable to owners of the parent	13	<b>0.23</b>	<b>0.52</b>	<b>0.95</b>	<b>1.33</b>
<b>Total comprehensive income for the period</b>					
<i>Attributable to:</i>					
Owners of the parent		30,088,052	75,226,080	143,354,605	203,908,378
Non-controlling interest		923,614	1,048,013	1,942,876	1,926,478
		<b>31,011,666</b>	<b>76,274,093</b>	<b>145,297,481</b>	<b>205,834,856</b>

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 September 2021

		<i>30 September 2021 SR Unaudited</i>	<i>31 December 2020 SR Audited</i>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	2,562,944,328	2,631,098,412
Intangible assets		3,075,494	4,225,187
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,566,019,822</b>	<b>2,635,323,599</b>
<b>CURRENT ASSETS</b>			
Inventories	9	605,738,903	671,139,754
Trade receivables	8	156,320,002	161,598,756
Prepayments, advances and other receivables		22,497,785	24,368,460
Cash and bank balances		82,258,969	137,015,441
<b>TOTAL CURRENT ASSETS</b>		<b>866,815,659</b>	<b>994,122,411</b>
<b>TOTAL ASSETS</b>		<b>3,432,835,481</b>	<b>3,629,446,010</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	1	1,575,000,000	1,575,000,000
Statutory reserve	11	787,500,000	787,500,000
Retained earnings		580,520,860	634,041,255
Equity attributable to the owners of the parent		<b>2,943,020,860</b>	<b>2,996,541,255</b>
Non-controlling interest		32,069,480	32,126,604
<b>TOTAL EQUITY</b>		<b>2,975,090,340</b>	<b>3,028,667,859</b>
<b>NON-CURRENT LIABILITIES</b>			
Term loans	10(a)	-	25,944,444
Employee benefits' liabilities		81,681,090	76,645,958
Lease liability		5,706,205	6,135,672
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>87,387,295</b>	<b>108,726,074</b>
<b>CURRENT LIABILITIES</b>			
Trade payables		36,907,175	60,156,929
Financial derivatives	16	223,819	1,234,421
Current portion of term loans	10(a)	38,916,667	51,888,889
Short term borrowings	10(b)	120,324,296	-
Dividends payable		81,942,617	276,156,597
Accrued expenses and other current liabilities		78,067,433	85,424,459
Zakat payable	6	13,975,839	17,190,782
<b>TOTAL CURRENT LIABILITIES</b>		<b>370,357,846</b>	<b>492,052,077</b>
<b>TOTAL LIABILITIES</b>		<b>457,745,141</b>	<b>600,778,151</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,432,835,481</b>	<b>3,629,446,010</b>

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 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>		
	SR	SR	SR	SR	SR
As at 1 January 2021 (Audited)	1,575,000,000	787,500,000	634,041,255	32,126,604	3,028,667,859
Profit for the period	-	-	149,688,510	1,942,876	151,631,386
Other comprehensive loss	-	-	(6,333,905)	-	(6,333,905)
<b>Total comprehensive income for the period</b>	-	-	<b>143,354,605</b>	<b>1,942,876</b>	<b>145,297,481</b>
Dividends to owners of the parent (Note 12)	-	-	(196,875,000)	-	(196,875,000)
Dividends to non-controlling interest	-	-	-	(2,000,000)	(2,000,000)
<b>Balance at 30 September 2021 (Unaudited)</b>	<b>1,575,000,000</b>	<b>787,500,000</b>	<b>580,520,860</b>	<b>32,069,480</b>	<b>2,975,090,340</b>

	<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 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	-	-	(6,208,885)	-	(6,208,885)
<b>Total comprehensive income for the period</b>	-	-	<b>203,908,378</b>	<b>1,926,478</b>	<b>205,834,856</b>
Dividends to owners of the parent	-	-	(354,375,000)	-	(354,375,000)
<b>Balance at 30 September 2020 (Unaudited)</b>	<b>1,575,000,000</b>	<b>787,500,000</b>	<b>759,043,470</b>	<b>31,876,976</b>	<b>3,153,420,446</b>

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 2021

		<i>For the nine-month period ended 30 September 2021</i>	<i>For the nine-month period ended 30 September 2020</i>
	<i>Note</i>	<i>SR</i>	<i>SR</i>
<b>OPERATING ACTIVITIES</b>			
Profit before zakat		159,471,386	225,993,741
<i>Adjustment to reconcile operating income to net cash flows:</i>			
Depreciation of property, plant and equipment	7	146,941,075	143,663,791
Amortization for intangible assets		1,724,118	1,346,349
Finance costs		2,962,449	3,887,851
(Gain) on derivative instruments at fair value through profit or loss		(1,010,602)	(335,227)
Provision for employee benefits' liabilities		5,549,446	6,416,145
Provision for expected credit losses		(404,213)	(304,246)
		<b>315,233,659</b>	<b>380,668,404</b>
<i>Working capital changes:</i>			
Trade receivables		5,682,967	8,796,883
Inventories		65,400,851	(108,710,012)
Prepayments, advances and other receivables		1,870,675	(4,891,193)
Trade payables		(23,249,754)	13,131,353
Accrued expenses and other current liabilities		(7,357,026)	(10,378,296)
		<b>357,581,372</b>	<b>278,617,139</b>
Zakat paid	6	(11,054,943)	(16,533,446)
Employee benefits' liabilities paid		(6,848,219)	(671,434)
Finance cost paid		(2,741,916)	(3,656,213)
		<b>336,936,294</b>	<b>257,756,046</b>
<b>Net cash generated from operating activities</b>			
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	7	(78,786,991)	(34,486,215)
Investment in associate company through equity method		-	(245,000)
Purchase of intangible assets		(574,425)	(2,916,069)
		<b>(79,361,416)</b>	<b>(37,647,284)</b>
<b>Net cash used in investing activities</b>			
<b>FINANCING ACTIVITIES</b>			
Lease liability		(650,000)	(650,000)
Proceeds from term loans		-	71,774,827
Repayment of term loans		(38,916,666)	(25,944,444)
Proceeds of short term borrowings		120,324,296	-
Dividends paid to owners of the parent		(391,088,980)	(195,268,952)
Dividends paid to non-controlling interest		(2,000,000)	-
		<b>(312,331,350)</b>	<b>(150,088,569)</b>
<b>Net cash used in financing activities</b>			
<b>NET CHANGES IN CASH AND BANK BALANCES</b>			
Cash and bank balances at the beginning of the period		(54,756,472)	70,020,193
		137,015,441	176,751,996
<b>CASH AND BANK BALANCES AT THE END OF THE PERIOD</b>			
		<b>82,258,969</b>	<b>246,772,189</b>

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  
For the nine-month period ended 30 September 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 30 September 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 nine-month period ended 30 September 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 for the year ended 31 December 2020. In addition, results for the interim period ended 30 September 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 except otherwise disclosed. 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 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 (Continued)  
For the nine-month period ended 30 September 2021

**2 SIGNIFICANT ACCOUNTING POLICES (continued)**

**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 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.

**2.4 New standards, interpretations and amendments not yet effective**

The Group has not early adopted any new accounting standards, interpretations or amendments that are issued but not yet effective.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
For the nine-month period ended 30 September 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 742.9 million during the current period ended 30 September 2021 compared to SR 674.7 million during comparative period ended 30 September 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 119.6 million compared to SR 58 million during the comparative period despite travel restrictions and lock-downs in some countries on account of third/forth 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
For the nine-month period ended 30 September 2021

**4 REVENUE**

The Group's revenue is described below:

	<u>For the three-month period ended 30 September</u>		<u>For the nine-month period ended 30 September</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
<i>Product type</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Bulk cement	101,280,462	135,242,061	363,489,776	389,464,420
Packed cement	64,700,792	75,936,960	222,585,062	201,088,566
Cement bags	14,282,239	19,734,285	41,594,400	54,740,219
Raw cement (clinker)	27,520,995	9,444,536	115,200,676	29,398,322
<b>Total revenue (*)</b>	<b>207,784,488</b>	<b>240,357,842</b>	<b>742,869,914</b>	<b>674,691,527</b>
<i>Geographical markets</i>				
Total revenue inside the Kingdom of Saudi Arabia	180,263,493	221,210,946	623,223,587	616,656,429
Total revenue outside the Kingdom of Saudi Arabia	27,520,995	19,146,896	119,646,327	58,035,098
<b>Total revenue</b>	<b>207,784,488</b>	<b>240,357,842</b>	<b>742,869,914</b>	<b>674,691,527</b>

(\*) 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 from 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:

	<u>30 September</u>	<u>31 December</u>
	<u>2021</u>	<u>2020</u>
	<u>SR</u>	<u>SR</u>
	<i>Unaudited</i>	<i>Audited</i>
Balance at beginning of the period / year	17,190,782	16,090,431
Provided during the period / year	7,840,000	18,601,210
Paid during the period / year	(11,054,943)	(17,500,859)
<b>Balance at the end of the period / year</b>	<b>13,975,839</b>	<b>17,190,782</b>

Zakat for the period ended 30 September 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 (Continued)  
For the nine-month period ended 30 September 2021

**6 ZAKAT (Continued)**

**Status of assessments**

**Parent Company:**

The Company has finalized its zakat assessments with the Zakat, Tax and Customs Authority (“the Authority”) until the year ended 31 December 2018. During the current year, the Company received additional assessment orders for the year 2019 and 2020 with additional zakat liabilities of SR 7.8 million and SR 15.9 million, respectively. The Company is in process of objecting the above assessment orders and believes that it is in a good position to not to pay the additional zakat liabilities mentioned above.

**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 thousand and SR 58 thousand 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 nine-month period ended 30 September as follows:

	<i>For the nine-month period ended 30 September</i>	
	<i>2021</i>	<i>2020</i>
	<i>SR</i>	<i>SR</i>
	<u><i>Unaudited</i></u>	<u><i>Unaudited</i></u>
Depreciation	146,941,075	143,663,791
Addition to property, plant and equipment	78,786,991	34,486,215

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**

	<i>30 September</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>SR</i>	<i>SR</i>
	<u><i>Unaudited</i></u>	<u><i>Audited</i></u>
Total trade receivables	157,875,815	163,558,782
Allowance for expected credit losses	(1,555,813)	(1,960,026)
	<u><u>156,320,002</u></u>	<u><u>161,598,756</u></u>

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
For the nine-month period ended 30 September 2021

**9 INVENTORIES**

	<i>30 September</i> <i>2021</i> <i>SR</i> <i>Unaudited</i>	<i>31 December</i> <i>2020</i> <i>SR</i> <i>Audited</i>
Spare parts, net	232,295,088	201,044,683
Work in process	321,539,443	422,615,439
Raw materials	33,140,317	26,327,133
Fuel	15,409,882	16,605,157
Packaging materials	2,872,323	2,962,362
Other materials	481,850	1,584,980
	<u><u>605,738,903</u></u>	<u><u>671,139,754</u></u>

As at 30 September 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>30 September</i> <i>2021</i> <i>SR</i> <i>Unaudited</i>	<i>31 December</i> <i>2020</i> <i>SR</i> <i>Audited</i>
Saudi National Bank loan	<u>38,916,667</u>	<u>77,833,333</u>
The current portion	<u>(38,916,667)</u>	<u>(51,888,889)</u>
The non-current portion	<u>-</u>	<u>25,944,444</u>

During 2015, the Parent Company has entered into Murabaha facilities contracts amounting to SR 250 million with the Saudi National Bank (“SNB”) 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 SNB.

**(b) Short term borrowings**

Short-term loans represent Islamic financing facilities obtained from several local banks to meet working capital with total facilities of SR 400 million (31 December 2020: SR 300 million). The balance used as of 30 September 2021 amounted to SR 120.3 million (31 December 2020: SR Nil), with different financing rates in excess of the commission rates for dealing between Saudi banks “SIBOR”.

The outstanding financing has been classified as a current liability in the consolidated statement of financial position since it is due to be repaid within less than 12 months from the 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 statutory 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 (Continued)  
For the nine-month period ended 30 September 2021

**12 DIVIDENDS**

- On 26 July 2021 (corresponding to: 16 Dhu al-Hijjah 1442), the Board of Directors of the Parent Company decided to distribute cash dividends of 12.5% of the nominal value of the share at SR 1.25 per share (total value of SR 196.9 million) for the first half of the year ending December 31 2021.
- On 23 July 2020 (corresponding to: 2 Dhu al-Hijjah 1441), the Board of Directors of the Parent Company decided to distribute cash dividends of 10% of the nominal value of the share at SR 1 per share (total value of SR 157.5 million) for the second half of the year ending 31 December 2020.
- On 5 March 2020 (corresponding to: 10 Ragab 1441), the Board of Directors of the Parent Company decided to distribute cash dividends of 12.5% of the nominal value of the share at SR 1.25 per share (total value of SR 196.9 million) for the second of the year ending 31 December 2019.

**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</i>		<i>For the nine-month period</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</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)	<b>35,481</b>	81,435	<b>149,689</b>	210,117
The weighted average number of outstanding ordinary shares (000' shares)	<b>157,500</b>	157,500	<b>157,500</b>	157,500
Basic and diluted earnings per share attributable to shareholders of the Parent Company (Saudi Riyals)	<b>0.23</b>	0.52	<b>0.95</b>	1.33

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

**14 CONTINGENCIES AND CAPITAL COMMITMENTS**

As at 30 September 2021, the capital commitments related to projects under construction amounted to SR 8.6 million (31 December 2020: SR 26.4 million).

As at 30 September 2021, the contingencies against banks' letter of guarantees issued on behalf of the Group amounted to SR 28.6 million (31 December 2020: SR 33.2 million).

As at 30 September 2021, the Group has bank letter of credits issued amounting to SR 3 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 (Continued)  
For the nine-month period ended 30 September 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 nine-month periods ended 30 September 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 nine-month period ended 30 September 2021 amounting to SR 3.2 million (30 September 2020: SR 2.64 million).

Key management personnel compensation comprised the following:

	<u>For the three-month period ended</u>		<u>For the nine-month period</u>	
	<u>2021</u>	<u>30 September</u>	<u>ended 30 September</u>	<u>ended 30 September</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
Short term employee benefits	1,614,500	1,120,000	4,869,000	3,229,273
Post-employment benefits	90,188	91,000	297,088	275,154
	<u>1,704,688</u>	<u>1,211,000</u>	<u>5,166,088</u>	<u>3,504,427</u>

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>	
	<u>30 September</u>	<u>31 December</u>	<u>30 September</u>	<u>31 December</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
<i>(Nature of transaction)</i>	<u>Unaudited</u>	<u>Audited</u>	<u>Unaudited</u>	<u>Audited</u>
Training cost charges by associate	-	1,877,646	(80,594)	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 (Continued)  
For the nine-month period ended 30 September 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>	<i>Total SR</i>	<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	30 September 2021 (Unaudited)	223,819	-	223,819	-

  

<i>Liabilities measured at fair value</i>	<i>Date of valuation</i>	<i>Total SR</i>	<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	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 September 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 September 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 September 2021 and 31 December 2020, the carrying amounts of borrowings were not materially different from their calculated fair values.

During the nine-month ended 30 September 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 nine-month period ended 30 September 2021 were approved by the Board of Directors on 21 October 2021 (corresponding to 15 Rabi' Al-Awal 1443).