

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

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT ON  
REVIEW OF CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS FOR  
THE THREE MONTHS AND SIX MONTHS  
PERIODS ENDED 30 JUNE 2020**

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**SAUDI CEMENT COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REVIEW REPORT  
FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED 30 JUNE 2020**

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## INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders  
Saudi Cement Company  
(A Saudi Joint Stock Company)  
Dammam - Kingdom of Saudi Arabia.

### Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Saudi Cement Company "Saudi Joint Stock Company" ("the Company") and its subsidiary (collectively referred to as the "Group") that include the condensed consolidated interim statement of financial position as of 30 June, 2020 and the related condensed consolidated interim statement of income and other comprehensive income for the three months and six months periods ended 30 June 2020 and the condensed consolidated interim statements of changes in equity and cash flows for the six months period then ended and a summary of selected significant accounting policies and other explanatory notes from (1) to (16).

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 – ("IAS 34") "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim 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" endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.

*M. A. Al-Amri*

Dr. Mohamed A. Al-Amri  
Certified Public Accountant  
Registration No. 60



August 11, 2020 G  
Dhu al-Hijjah 21, 1441 H



**SAUDI CEMENT COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**

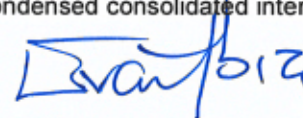
As at 30 June 2020

		30 June 2020 (Un-Audited) SR '000	31 December 2019 (Audited) SR '000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	2,499,043	2,541,955
Right-of-use assets	5	31,577	30,842
Goodwill	3	4,648	-
Investments in associates	6	30,258	57,130
Equity investment designated at fair value through other comprehensive income		2,773	-
<b>Total non-current assets</b>		<b>2,568,299</b>	<b>2,629,927</b>
<b>Current assets</b>			
Inventories		702,653	753,723
Trade receivables		361,871	368,613
Prepayments and other receivables		55,545	29,825
Term deposits		110	-
Cash and cash equivalents		110,057	127,192
<b>Total current assets</b>		<b>1,230,236</b>	<b>1,279,353</b>
<b>TOTAL ASSETS</b>		<b>3,798,535</b>	<b>3,909,280</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		1,530,000	1,530,000
Statutory reserve		459,000	459,000
Fair value reserve		(14)	-
Retained earnings		429,348	740,650
<b>Equity attributable to shareholders of the parent</b>		<b>2,418,334</b>	<b>2,729,650</b>
Non-controlling interest		22,969	-
<b>Total equity</b>		<b>2,441,303</b>	<b>2,729,650</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Employees' benefits		93,133	86,729
Lease liabilities	5	29,354	25,666
Retention payable		1,400	-
<b>Total non-current liabilities</b>		<b>123,887</b>	<b>112,395</b>
<b>Current liabilities</b>			
Lease liabilities	5	4,177	7,197
Short term loans	7	800,000	595,000
Trade payables		44,529	60,652
Dividend payable		228,711	221,619
Accruals and other payables		144,776	160,516
Provision for Zakat		11,152	22,251
<b>Total current liabilities</b>		<b>1,233,345</b>	<b>1,067,235</b>
<b>TOTAL LIABILITIES</b>		<b>1,357,232</b>	<b>1,179,630</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,798,535</b>	<b>3,909,280</b>

Designated Member / CEO

Finance Manager

The accompanying notes from 1 to 16 form an integral part of these condensed consolidated interim financial statements.



**SAUDI CEMENT COMPANY**

(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME (UN-AUDITED)**

For the three months and six months periods ended 30 June 2020

	Note	Three months period ended 30 June		Six months period ended 30 June	
		2020 SR '000	2019 SR '000	2020 SR '000	2019 SR '000
Revenue		297,452	338,608	747,811	728,967
Cost of revenue		(173,778)	(198,327)	(421,366)	(407,648)
<b>GROSS PROFIT</b>		<b>123,674</b>	<b>140,281</b>	<b>326,445</b>	<b>321,319</b>
Selling and distribution expenses		(25,042)	(17,458)	(53,399)	(41,868)
General and administrative expenses		(15,708)	(23,127)	(32,354)	(38,759)
<b>OPERATING PROFIT</b>		<b>82,924</b>	<b>99,696</b>	<b>240,692</b>	<b>240,692</b>
Other income		1,710	1,534	3,383	3,120
Share in net results of associates		(662)	393	(2,429)	(597)
Financial charges		(3,477)	(6,912)	(7,584)	(12,668)
<b>INCOME BEFORE ZAKAT</b>		<b>80,495</b>	<b>94,711</b>	<b>234,062</b>	<b>230,547</b>
Zakat		(6,000)	(2,368)	(12,000)	(5,764)
<b>NET INCOME FOR THE PERIOD</b>		<b>74,495</b>	<b>92,343</b>	<b>222,062</b>	<b>224,783</b>
<b>Other comprehensive income</b>					
<i>Item that will not be reclassified to profit or loss in subsequent period</i>					
Share of other comprehensive income of associates		(22)	-	(27)	362
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>74,473</b>	<b>92,343</b>	<b>222,035</b>	<b>225,145</b>
<b>Net income for the period attributable to :</b>					
Equity holders of the parent		75,697	92,343	224,203	224,783
Non-controlling interest		(1,202)	-	(2,141)	-
		<b>74,495</b>	<b>92,343</b>	<b>222,062</b>	<b>224,783</b>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the parent		75,683	92,343	224,184	225,145
Non-controlling interest		(1,210)	-	(2,149)	-
		<b>74,473</b>	<b>92,343</b>	<b>222,035</b>	<b>225,145</b>
<b>Earnings per share (Saudi Riyals)</b>					
Basic and diluted earnings per share attributable to the equity holders of the Company	13	0.49	0.60	1.47	1.47

Designated Member / CEOFinance Manager

The accompanying notes from 1 to 16 form an integral part of these condensed consolidated interim financial statements.



**SAUDI CEMENT COMPANY**

(A Saudi Joint Stock Company)

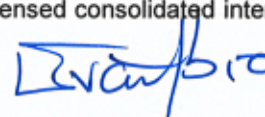
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**

For the six months period ended 30 June 2020

	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Total	Non- controlling interest	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Balance as at 1 January 2019	1,530,000	459,000	-	796,795	2,785,795	-	2,785,795
Net income for the period	-	-	-	224,783	224,783	-	224,783
Other comprehensive income	-	-	-	362	362	-	362
Total comprehensive income for the period	-	-	-	225,145	225,145	-	225,145
Dividend (note 12)	-	-	-	(497,250)	(497,250)	-	(497,250)
Balance at 30 June 2019	1,530,000	459,000	-	524,690	2,513,690	-	2,513,690
Balance as at 1 January 2020	1,530,000	459,000	-	740,650	2,729,650	25,118	2,754,768
Net income for the period	-	-	-	224,203	224,203	(2,141)	222,062
Other comprehensive income	-	-	(14)	(5)	(19)	(8)	(27)
Total comprehensive income for the period	-	-	(14)	224,198	224,184	(2,149)	222,035
Dividend (note 12)	-	-	-	(535,500)	(535,500)	-	(535,500)
Balance at 30 June 2020	1,530,000	459,000	(14)	429,348	2,418,334	22,969	2,441,303

Designated Member / CEOFinance Manager

The accompanying notes from 1 to 16 form an integral part of these condensed consolidated interim financial statements.



**SAUDI CEMENT COMPANY**  
**(A Saudi Joint Stock Company)**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)**

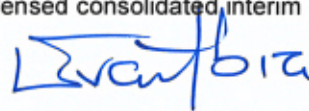
For the six months period ended 30 June 2020

	Six months period ended 30 June	
	2020 SR '000	2019 SR '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before Zakat	234,062	230,547
<b>Adjustments to reconcile income before zakat to net cash generated by operating activities:</b>		
Depreciation – property, plant and equipment	109,389	102,933
Depreciation - right-of-use assets	3,786	3,297
Financial charges	7,584	12,668
Reversal of Impairment of inventory	(21)	-
Impairment of receivables	47	-
Dividend income	(650)	-
Gain on disposal of property, plant and equipment	(63)	(361)
Share in results of associates	2,429	597
Employees' benefits, net	2,652	5,116
	<b>359,215</b>	<b>354,797</b>
<b>Working capital changes</b>		
Inventories	58,087	72,964
Trade receivables	(5,738)	(47,686)
Prepayments and other receivables	(22,560)	(14,592)
Trade payables	(19,482)	(14,858)
Accruals and other payables	5,204	(2,255)
	<b>15,511</b>	<b>(6,427)</b>
Financial charges paid	(7,503)	(12,668)
Zakat paid	(23,099)	(10,179)
<b>Net cash generated from operating activities</b>	<b>344,124</b>	<b>325,523</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment, net	(38,304)	(42,978)
Proceed from disposal of property plant and equipment	63	406
Additional investments made in subsidiary-net	10,830	-
Dividend received	650	894
Term deposits	(4)	-
<b>Net cash used in investing activities</b>	<b>(26,765)</b>	<b>(41,678)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net movements in short term loans	205,000	255,000
Repayment of lease liability	(3,994)	(3,414)
Dividend paid	(535,500)	(267,750)
<b>Net cash used in financing activities</b>	<b>(334,494)</b>	<b>(16,164)</b>
Net change in cash and cash equivalents	(17,135)	267,681
Cash and cash equivalents at beginning of the period	127,192	69,556
<b>Cash and cash equivalents at end of the period</b>	<b>110,057</b>	<b>337,237</b>

Designated Member / CEO

Finance Manager

The accompanying notes from 1 to 16 form an integral part of these condensed consolidated interim financial statements.

**SAUDI CEMENT COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(UN-AUDITED)**

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For the six months period ended 30 June 2020

## **1 CORPORATE INFORMATION**

Saudi Cement Company ("the Company") is a Saudi Joint Stock Company incorporated under Royal Decree number 6/6/10/726 dated 8 Rabi' II 1375 H (corresponding to 23 November 1955) and registered in the Kingdom of Saudi Arabia, in the city of Dammam under Commercial Registration number 2050000602 dated 6 Dhul Qaidah 1377 H (corresponding to 24 May 1958). The Company is engaged in manufacturing and selling cement and its related products. As of 30 June 2020, the Company has one subsidiary, United Cement Company (31 December 2019: an associate) collectively referred to as "the Group". Refer note 3 for further details.

The Company obtained, under the Royal Decree number 10/6/6/8500 dated 26 Rajab 1370H (corresponding to 3 May 1951), the right of the mining concession for the extraction of limestone, gypsum and clay and all the necessary materials for the manufacture of cement in Al Hassa for 30 years period.

Thereafter, the Company obtained the licenses for the existing quarries under the Royal Decree number M/11 dated 29/04/1405H (corresponding to 22/01/1985) which gives mining concession for the extraction of limestone, gypsum and clay and all the necessary materials for the manufacture of cement for 30 years period.

In the year 1985, a Saudi Bahraini Company obtained the right of the mining concession for the extraction of limestone, gypsum and clay under the Royal Decree number M/12 dated 29/04/1405H (corresponding to 22/01/1985) which was merged with the Saudi Cement Company in 1990. Accordingly, the Ministry of Industry and Mineral Resources resolved on 04/01/1412H (corresponding to 15/07/1991) to transfer all quarries and related licenses of Saudi Bahraini Company to the Saudi Cement Company.

These licenses were expired in 2015. The delay in renewing licenses was due to ownership issues as the main quarry is situated on a land designated to one of the concerned ministries. Later on, a committee was formed by the Ministry of Industry and Mineral Resources to coordinate and finalize the process of renewals.

In April 2020, the Company received copies of renewed permit certificates from the Mineral Resources Agency (the Agency) for its signing and stamping and accordingly, these were signed, stamped and sent back to the Agency. The management is now expecting the final renewed permit certificates / licenses at any point of time. However, the Company continues to extract minerals from the quarries and is paying the extraction fees as required by the Ministry of Industry and Mineral Resources, annually.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard, "*Interim Financial Reporting*" ("IAS 34") as endorsed in Kingdom of Saudi Arabia (KSA).

The disclosures in these condensed consolidated interim financial statements do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 31 December 2019.

The methods of computation and accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2019 except as stated in note 3.



**SAUDI CEMENT COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(UN-AUDITED)**

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For the six months period ended 30 June 2020

**2.2 Basis of measurement**

These condensed consolidated interim financial statements are prepared under the historical cost convention, using the accruals basis of accounting, except for certain employees' benefits which are measured at present value.

All values are rounded to the nearest thousand (SR '000), unless otherwise stated.

**2.3 Functional and presentation currency**

These condensed consolidated interim financial statements are presented in Saudi Riyals (SR) which is the Company's functional and Group's presentation currency.

**2.4 New standards, interpretations and amendments adopted by the Group**

The Group has not early adopted any new standard, interpretation or amendment that have been issued but which are not yet effective. Those standards and interpretation or amendments are not disclosed in these condensed consolidated interim financial statements as the management did not consider these relevant to the Group's operations or will not have a material impact on the consolidated financial statements of the Group in future periods.

**2.5 Basis of consolidation**

These condensed consolidated interim financial statements incorporate the condensed interim financial statements of the Company and its subsidiary as at the reporting date. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the condensed consolidated interim statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without loss of control, is recorded in the condensed consolidated interim statement of changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control over its subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All material intergroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**SAUDI CEMENT COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(UN-AUDITED)**

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For the six months period ended 30 June 2020

**3 BUSINESS COMBINATION**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value with the exception of liabilities related to employee benefit arrangements which are recognized and measured in accordance with IAS 19 - "Employee benefits".

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

The initial accounting for a business combination can be determined provisionally by the end of the measurement period (not exceeding 12 months from the acquisition date) and the business combination is accounted for using provisional amounts. Adjustments to provisional amounts and the recognition of newly identified asset and liabilities, must be made within the 'measurement period' where they reflect new information obtained about facts and circumstances that were in existence at the acquisition date.

**3.1 Acquisition of a subsidiary during the period**

The Company acquired additional 27% shares of United Cement Company (UCC) on 09 January 2020 at a consideration of SR 22.97 million. The consideration paid in excess of the carrying values of assets and liabilities of UCC as at 31 December 2019 is recorded as provisional goodwill. The Company will continue to reassess the goodwill value for the initial 12 months period of the said acquisition (measurement period). The Company now owns 63% ownership in United Cement Company.



**SAUDI CEMENT COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(UN-AUDITED)**

For the six months period ended 30 June 2020

The carrying values of the assets and liabilities acquired were as follows:

<b>Assets</b>	<b>SR '000</b>
Property plant and equipment	28,236
Right of use assets	2,383
Financial assets at fair value through other comprehensive income	2,796
Inventories	6,997
Trade receivables	19,461
Prepayments and other receivables	2,146
Term deposit	106
Cash and cash equivalents	33,807
	<b>95,932</b>
<b>Liabilities</b>	
Lease liabilities	2,505
Retention payable	1,400
Employee's benefits	3,752
Trade payables	3,359
Accruals and other payables	17,030
	<b>28,046</b>
Carrying value of net assets acquired	<b>67,886</b>
Carrying value of net assets acquired – 63% share	42,768
Carrying value of net assets attributable to non-controlling interest – 37%	25,118
	<b>67,886</b>

### **3.2 GOODWILL**

Goodwill recognized from the acquisition of a subsidiary is as follows:

	<b>01 January 2020 SR '000</b>
Share of the Company in UCC's equity (note 6)	24,439
Additional consideration paid	22,977
Total consideration	47,416
63% share in UCC	(42,768)
<b>Goodwill (provisional)</b>	<b>4,648</b>

**SAUDI CEMENT COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(UN-AUDITED)**

For the six months period ended 30 June 2020

**4 PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group acquired items of property, plant and equipment amounted to SR 28 million (31 December 2019: SR 54 million) whereas additions to capital work in progress amounted to SR 10.3 million (31 December 2019: SR 83.0 million), disposals during the period amount to SR 11.2 million (31 December 2019: SR 14.7 million).

**5 RIGHT OF USE ASSETS AND LEASE LIABILITIES**

The recognized right-of-use assets relate to the following types of assets:

	<b>30 June 2020 SR '000</b>	<b>31 December 2019 SR '000</b>
Land	<b>18,652</b>	17,034
Building	<b>186</b>	295
Vehicles	<b>11,316</b>	13,513
Computers	<b>1,423</b>	-
Total right-of-use assets	<b>31,577</b>	30,842

Lease liabilities as at period end are as follows:

	<b>30 June 2020 SR '000</b>	<b>31 December 2019 SR '000</b>
Non-current portion of lease liabilities	<b>29,354</b>	25,666
Current portion of lease liabilities	<b>4,177</b>	7,197
Total lease liabilities	<b>33,531</b>	32,863

There were SR 2.1 million additions to right-of-use assets during the six months period ended 30 June 2020. The right-of-use assets are depreciated over the shorter of the lease term or useful life of the underlying assets.

**6 INVESTMENT IN ASSOCIATES**

Investment in associate of SR 30.3 million represents 33.33% share in Cement Product Industry Company Limited which is a limited liability company registered and operating in the Kingdom of Saudi Arabia. This company is engaged in the manufacturing of cement derivative products and other products necessary for manufacturing and packing cement.

The Company had previously owned as an associate, 36% share in UCC, a Bahraini closed joint stock Company registered and operating in the Kingdom of Bahrain. On 09 January 2020, the Company acquired additional 27% shares of UCC at a consideration of SR 22.98 million and consequently, it becomes subsidiary of the Company with a shareholding of 63%. The provisional fair value at the date of de-recognition as an associate was SR 24.4 million. Also refer note 3.



**SAUDI CEMENT COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(UN-AUDITED)**

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For the six months period ended 30 June 2020

**7 SHORT TERM LOANS**

The short term loans represent Tawarruq facilities obtained from various local banks to meet the working capital requirements with a total facility amount of SR 2,250 million (31 December 2019: SR 1,950 million). The utilized balance as of 30 June 2020 amounted to SR 800 million (31 December 2019: SR 595 million). These facilities carry financial costs in excess of SIBOR and are consistent with the terms of each facility agreement that are secured by promissory notes issued by the Company and carry charges agreed with the facilities' providers.

The outstanding financing is classified under current liabilities in the condensed consolidated interim statement of financial position as these are repayable within 12 months from the reporting date.

The facility agreements contained certain covenants, which requires among other things, certain financial ratios to be maintained. The Company was in compliance with these ratios as of 30 June 2020 and 31 December 2019.

**SAUDI CEMENT COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**

For the six months period ended 30 June 2020

**8 RELATED PARTY TRANSACTIONS AND BALANCES**

The following table provides the total amount of transactions that have been entered into with related parties during the three months and six months periods ended 30 June 2020 and 30 June 2019 and related parties balances as at 30 June 2020 and 31 December 2019.

Related party	Relationship	Nature of transaction	Three-months period		Six-months period		Ending balance	
			Amount of transaction		Amount of transaction			
			30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	31 December 2019
			SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
<b>Trade payables</b>								
Cement Product Industry Company Limited	Associate	Purchases of raw material	9,390	5,639	16,766	13,477	-	131
Wataniya Insurance Company	Affiliate	Insurance on property, plant and equipment	-	-	6,761	6,549	-	24
<b>Trade receivables due from a related party</b>								
United Cement Company (note 6)	Associate (note 6)	Sales	-	13,462	-	28,418	-	14,902

**Terms and conditions of transactions with related parties**

The purchases from related parties are made in the ordinary course of business. Outstanding balances at the period ended 30 June 2020 are unsecured and settled in cash. There have been no guarantees provided to amounts due to related parties.

The compensations to key executives for the period ended 30 June 2020 is SR 7.0 million (30 June 2019: SR 7.5 million).

Prices and terms of payments for the above transactions are approved by the Group's management.



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**9 CAPITAL COMMITMENTS**

As of 30 June 2020, the capital expenditure contracted by the Group but not incurred till 30 June 2020 was approximately SR 31.71 million (31 December 2019: SR 34.94 million).

**10 SEGMENT INFORMATION**

A segment is a distinguishable component of the Group that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

The Group's operations are related to two operating geographical segments which are Saudi Cement Company operating in the Kingdom of Saudi Arabia and United Cement Company operating in Kingdom of Bahrain, both segments engage in cement manufacturing and are substantially sold to local and foreign customers. Accordingly, segmental analysis by geographical are presented as follows:

As at 30 June 2020	Kingdom of Saudi Arabia SR'000	Kingdom of Bahrain SR'000
Revenue	708,326	39,485
Cost of sales	378,395	42,971
Profit/(loss) before Zakat	239,849	(5,787)
Total assets	3,765,493	91,755
Total liabilities	1,343,499	29,680

**11 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy.

This is 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.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2. If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. As of 30 June, 2020, the Group's equity investment designated at FVOCI is determined at level 3 of the fair value hierarchy.

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**12 DIVIDEND**

On 18 Shawwal 1441 (corresponding to 10 June 2020), the Board of Directors has resolved to distribute interim cash dividend amounting to SR 1.50 per share (SR 229.50 million in total) for the first half of 2020. Payment of this dividend distribution was commenced on 04 Dhu al-Qadah 1441 (corresponding to 25 June 2020).

On 28 Sha'ban 1441 (corresponding to 21 April 2020), the General Assembly approved the Board of Directors' proposal to distribute cash dividend amounting to SR 2.00 per share (SR 306 million in total) for the second half of 2019.

On 24 Ramadan 1440 (corresponding to 29 May 2019), the Board of Directors has resolved to distribute interim cash dividend amounting to SR 1.50 per share (SR 229.50 million in total) for the first half of 2019. Payment of this dividend distribution was commenced on 29 Shawwal 1440 (corresponding to 2 July 2019).

On 11 Sha'ban 1440 (corresponding to 16 April 2019), the General Assembly approved the Board of Directors' proposal to distribute cash dividend amounting to SR 1.75 per share (SR 267.75 million in total) for the second half of 2018.

**13 EARNINGS PER SHARE**

Basic earnings per share amounts are calculated by dividing net income for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

The following reflects the income and share capital data used in the basic and diluted earnings per share computations:

	<b>Three months period ended 30 June</b>		<b>Six months period ended 30 June</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>SR '000</b>	<b>SR '000</b>	<b>SR '000</b>	<b>SR '000</b>
Net income attributable to equity holders	<b>75,697</b>	92,343	<b>224,203</b>	224,783
Number of shares outstanding	<b>153,000</b>	153,000	<b>153,000</b>	153,000
Earnings per share	<b>0.49</b>	0.60	<b>1.47</b>	1.47

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

**14 SIGNIFICANT EVENT**

The existence of novel coronavirus (COVID-19) was confirmed during the first quarter of 2020 and has spread across multiple geographies, causing disruptions to businesses and economic activities. As a result, the Group management has taken preventive measures to ensure the health and safety of its employees, customers and environment to ensure the continuity of its operations. In light of COVID-19, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in these condensed consolidated interim financial statement. For the Group, the peak of COVID-19 impact was during April 2020 and May 2020, when sales have been dropped as compared to the same periods in 2019. However, in May 2020, the Government has reorganized some of the rules and regulations related to the curfew that impacted the industry and accordingly, there was a significant recovery in terms of sales during June 2020, as sales increased as compared to June 2019 which in turn fully absorbed the reduction in sales during April and May. Since then, there is stability in the Group's operations and as such management believes that COVID-19 has no significant impact on the operations of the Group till 30 June 2020. The Group's management continues to monitor the situation closely.



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**15. EVENTS AFTER THE REPORTING DATE**

There have been no significant subsequent events since the period ended 30 June 2020 till the date authorization of these condensed consolidated interim financial statements by the Board of Directors that require either an adjustment or disclosure in these condensed consolidated interim financial statements.

**16. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

These condensed consolidated interim financial statements were authorized for issue and approved by the Board of Directors on August 09, 2020.