

METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2021

METHANOL CHEMICALS COMPANY
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INDEX	PAGE
Independent auditor's review report	1
Interim condensed statement of comprehensive income	2
Interim condensed statement of financial position	3
Interim condensed statement of changes in equity	4
Interim condensed statement of cash flows	5
Notes to the interim condensed financial statements	6 – 10

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF METHANOL CHEMICALS COMPANY (A SAUDI JOINT STOCK COMPANY)

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Methanol Chemicals Company (the "Company"), a Saudi Joint Stock Company as at 30 June 2021, and the related interim condensed statement of comprehensive income for the three-month and six-month periods ended 30 June 2021 and related interim condensed statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") 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" endorsed in the Kingdom of Saudi Arabia. A review of 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 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 financial statements are not prepared, in all material respects in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

Other matter:

The financial statements of the Company for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 March 2021. Further, the interim condensed financial statements of the Company for the three month period ended 31 March 2021 and for the six month period ended 30 June 2020 were reviewed by another auditor who expressed an unmodified review conclusion on those financial statements on 10 May 2021 and 25 August 2020, respectively.

For Ernst & Young



Waleed G. Tawfiq
Certified Public Accountant
License No. 437



4 Muharram 1443H
12 August 2021


Alkhobar

METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2021
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended 30 June 2021 (Unaudited)	For the three-month period ended 30 June 2020 (Unaudited)	For the six-month period ended 30 June 2021 (Unaudited)	For the six-month period ended 30 June 2020 (Unaudited)
Revenue		228,297,135	98,501,283	423,090,463	218,798,936
Cost of sales		(129,660,565)	(98,174,986)	(262,750,147)	(214,239,745)
GROSS PROFIT		98,636,570	326,297	160,340,316	4,559,191
Selling and distribution expenses		(20,440,008)	(10,843,564)	(35,463,645)	(23,458,578)
General and administration expenses		(11,014,508)	(9,162,187)	(21,008,692)	(18,940,857)
Other operating income (expenses), net		4,160,720	(1,637,453)	3,316,664	(2,209,479)
OPERATING PROFIT/ (LOSS)		71,342,774	(21,316,907)	107,184,643	(40,049,723)
Finance costs		(6,808,467)	(9,164,089)	(11,088,272)	(18,562,392)
Finance income		65,354	116,307	120,948	522,296
Finance costs - net		(6,743,113)	(9,047,782)	(10,967,324)	(18,040,096)
PROFIT/ (LOSS) BEFORE ZAKAT		64,599,661	(30,364,689)	96,217,319	(58,089,819)
Zakat expense		(4,432,551)	(918,334)	(6,174,218)	(1,793,335)
NET PROFIT/ (LOSS) FOR THE PERIOD		60,167,110	(31,283,023)	90,043,101	(59,883,154)
Other comprehensive income for the period		-	-	-	-
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD		60,167,110	(31,283,023)	90,043,101	(59,883,154)
Earnings/ (loss) per share					
- Basic and diluted earnings per share	8	0.50	(0.26)	0.75	(0.50)

The interim condensed financial statements including other explanatory notes was authorized for issue by the Board of Directors on 9th August 2021 and was signed on their behalf by:

 Abdullah A. Al-Hajri Chief Financial Officer	 Ali Al-Asiri Chief Executive Officer	 Abdullah Ali Al Sanea Chairman
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The attached notes 1 to 11 form an integral part of these interim condensed financial statements.

METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

(All amounts in Saudi Riyals unless otherwise stated)

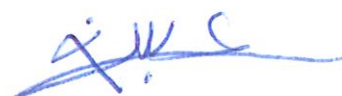
	Notes	30 June 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		1,293,070,542	1,327,756,532
Right-of-use assets		20,908,186	21,893,266
Intangible assets		9,662,353	5,442,675
TOTAL NON-CURRENT ASSETS		1,323,641,081	1,355,092,473
CURRENT ASSETS			
Inventories		91,934,328	98,516,049
Trade and other receivables		226,299,262	140,211,951
Cash and cash equivalents		84,081,912	84,082,213
TOTAL CURRENT ASSETS		402,315,502	322,810,213
TOTAL ASSETS		1,725,956,583	1,677,902,686
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	1,206,000,000	1,206,000,000
Share premium		72,850,071	72,850,071
Statutory reserve		44,118,693	44,118,693
Accumulated losses		(454,393,933)	(544,437,034)
TOTAL EQUITY		868,574,831	778,531,730
NON-CURRENT LIABILITIES			
Long-term borrowings	5	549,773,316	-
Lease liabilities		23,235,087	22,924,115
Employee benefit obligations		49,970,545	48,892,233
TOTAL NON-CURRENT LIABILITIES		622,978,948	71,816,348
CURRENT LIABILITIES			
Trade and other payables		94,775,795	87,186,455
Current portion of long-term borrowings	5	130,553,530	732,191,522
Current portion of lease liabilities		1,206,942	1,176,631
Zakat payable		7,866,537	7,000,000
TOTAL CURRENT LIABILITIES		234,402,804	827,554,608
TOTAL LIABILITIES		857,381,752	899,370,956
TOTAL EQUITY AND LIABILITIES		1,725,956,583	1,677,902,686



Abdullah A. Al-Hajri
Chief Financial Officer



Ali Al-Asiri
Chief Executive Officer



Abdullah Ali Al Sanea
Chairman

The attached notes 1 to 11 form an integral part of these interim condensed financial statements.

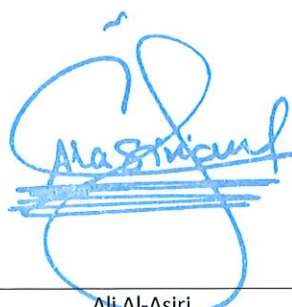
METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
 FOR SIX-MONTH PERIOD ENDED 30 JUNE 2021
 (All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Share premium	Statutory reserve	Accumulated losses	Total equity
At 1 January 2020 (<i>Audited</i>)	1,206,000,000	72,850,071	44,118,693	(269,156,000)	1,053,812,764
Net loss for the period	-	-	-	(59,883,154)	(59,883,154)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(59,883,154)	(59,883,154)
At 30 June 2020 (<i>Unaudited</i>)	<u>1,206,000,000</u>	<u>72,850,071</u>	<u>44,118,693</u>	<u>(329,039,154)</u>	<u>993,929,610</u>
At 1 January 2021 (<i>Audited</i>)	1,206,000,000	72,850,071	44,118,693	(544,437,034)	778,531,730
Net profit for the period	-	-	-	90,043,101	90,043,101
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	90,043,101	90,043,101
At 30 June 2021 (<i>Unaudited</i>)	<u>1,206,000,000</u>	<u>72,850,071</u>	<u>44,118,693</u>	<u>(454,393,933)</u>	<u>868,574,831</u>



Abdullah A. Al-Hajri
Chief Financial Officer



Ali Al-Asiri
Chief Executive Officer



Abdullah Ali Al Sanea
Chairman

The attached notes 1 to 11 form an integral part of these interim condensed financial statements.

METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021
(All amounts in Saudi Riyals unless otherwise stated)

	30 June 2021	30 June 2020
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit/ (loss) before zakat	96,217,319	(58,089,819)
Adjustment to reconcile profit before zakat to net cash flows:		
Depreciation and amortisation	54,647,448	64,573,596
Write-off of property, plant and equipment	-	782,690
Finance costs	11,088,272	18,562,392
Finance income	(120,948)	(522,296)
Provision for employee benefit obligations	3,220,912	3,704,522
	165,053,003	29,011,085
Changes in operating assets and liabilities:		
Decrease/ (increase) in inventories	6,229,522	(22,140,285)
Increase in trade and other receivables	(86,071,022)	(18,047,847)
Increase/ (decrease) in trade and other payables	7,589,340	(1,580,727)
Cash from operating activities	92,800,843	12,757,774
Finance costs paid on long-term borrowings	(17,781,631)	(16,284,884)
Finance income received on short-term deposits	104,659	623,460
Zakat paid during the period	(5,307,681)	-
Employee benefit obligations paid	(2,142,600)	(1,485,589)
Net cash flows from/ (used in) operating activities	67,673,590	(29,904,787)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(18,044,559)	(28,842,037)
Additions to intangible assets	(4,799,298)	-
Net cash flows used in investing activities	(22,843,857)	(28,842,037)
FINANCING ACTIVITIES		
Repayments of long-term borrowings	(44,520,034)	-
Repayments of lease liabilities	(310,000)	(1,886,395)
Net cash flows used in financing activities	(44,830,034)	(1,886,395)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(301)	(60,633,219)
Cash and cash equivalents at the beginning of the period	84,082,213	113,086,237
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	84,081,912	52,453,018



Abdullah A. Al-Hajri
Chief Financial Officer



Ali Al-Asiri
Chief Executive Officer



Abdullah Ali Al Sanea
Chairman

The attached notes 1 to 11 form an integral part of these interim condensed financial statements.

1. CORPORATE INFORMATION

Methanol Chemicals Company (the "Company" or "Chemanol") is engaged in the production of Formaldehyde liquid and Urea Formaldehyde liquid or their mixture with different concentrations, Paraformaldehyde, liquid and powder Formaldehyde resins, Hexane Methylene Tetramine, Phenol Formaldehyde resins, concrete improvers, Methanol, Carbon monoxide, Di-methylamine, Mono-methylamine, Tri-mon-methylamine, Di-methyl Formamide, Di-methyl carbon, Penta Arithereol, Sodium Formate and Acetaldehyde.

The Company is a joint stock company registered in the Kingdom of Saudi Arabia and operating under Commercial Registration (CR) number 2050057828 issued in Dammam on 30 Dhu al-Hijjah 1428 H (9 January 2008). The accompanying interim condensed financial statements include the accounts of the Company and its branch registered in Jubail under CR No. 2055001870 dated 28 Dhu al-Hijjah 1409 H (1 August 1989). The registered address of the Company is P.O. Box 2101, Jubail 31951, Kingdom of Saudi Arabia.

COVID-19 Impact assessment

During 2020, the Company's revenues and net results were significantly impacted by the advent of COVID-19. This was mainly due to issues with logistics and decline in prices of the Company's products as certain markets and countries were locked down by their respective governments as a measure to prevent the spread of COVID-19. Also, during the three-month period ended 31 March 2020, the Company shut down certain of its plants for scheduled periodic maintenance for a period of 23 days. The increased uncertainty around the short to medium term demand of the Company's products also resulted in a significant decrease in the current and forecasted prices of such products. Accordingly, management revised its business plans, taking into account the most recent available information. Based on the approved business plans, the Company updated the value-in-use workings of non-current assets at the respective Cash Generating Units ("CGUs") and determined that the recoverable amounts of the non-current assets of certain CGUs were lower than their carrying amounts. Accordingly, the Company recorded an impairment loss of Saudi Riyals 157.1 million in the annual financial statements for the year ended 31 December 2020.

Further, during the six-month period ended 30 June 2021, the Company has witnessed an increase in the prices of most of its products, primarily due to increase in demand of such products as lockdowns in key markets and countries have been relaxed. The increase in prices of such products has resulted in an increase in revenue and profitability for the period. However, the market conditions remain volatile and management continues to monitor the situation closely.

The Company's management has also assessed other impacts of COVID-19 on its operations and continues to take preventative measures to ensure the health and safety of its employees and minimize the impact of the pandemic on its operations. However, as the situation is fluid and evolving, management continues to monitor and is taking necessary steps to ensure the continuity of its operations.

Restructuring of long-term borrowings

As explained in Note 5, during the three-month period ended 31 March 2021, the Company signed agreements with the respective lender institutions to restructure its long-term borrowings.

Equity restructuring

During the Company's extraordinary General Assembly meeting held on 18 Dhu'l-Qi'dah 1442H (corresponding to 28 June 2021), a decrease in share capital from SR 1,206,000,000 to SR 674,508,630 was approved by the shareholders as proposed by the Board of Directors. The decrease in share capital has been approved through absorbing accumulated losses of the Company amounting to SR 531,491,370. Certain legal formalities relating to the above are still in progress as at the reporting date and as such the decrease in the share capital will be made after completing all the legal formalities. Had the legal formalities been completed at the reporting date, the share capital would have been SR 674,508,630 and the accumulated losses would have been turned around to retained earnings of 69,387,695.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of interim condensed financial statements of the Company are consistent with those of the previous financial year and corresponding interim reporting period.

2.1 BASIS OF PREPARATION

These interim condensed financial statements have been prepared using historical cost convention except for employees' defined benefit liabilities, for which actuarial present value calculation is used. These interim condensed financial statements are presented in Saudi Riyals, which is both the functional and presentation currency of the Company. These interim condensed financial statements of the Company have been prepared in compliance with IAS 34 "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The interim condensed financial statements does not include all the information and disclosures required in the annual financial statements. Accordingly, these interim condensed financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2020. An interim period is considered as integral part of the whole fiscal year, however, the results of operations for the interim periods may not be a fair indication of the results of the full year operations.

2.2 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed financial statements of the Company.

3. FAIR VALUE OF ASSETS AND LIABILITIES

As at 30 June 2021 and 31 December 2020, the fair values of the Company's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of statement of financial position. The fair values of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim condensed financial statements in conformity with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA, requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no significant estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period.

IMPAIRMENT TEST OF NON-FINANCIAL ASSETS

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing off the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the approved business plan and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the Cash Generating Unit ("CGU") being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

METHANOL CHEMICALS COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2021
(All amounts in Saudi Riyals unless otherwise stated)

5. LONG-TERM BORROWINGS

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Saudi Industrial Development Fund ("SIDF")	245,000,000	245,000,000
Murabaha facilities	441,977,416	486,497,450
Total principal amount outstanding	686,977,416	731,497,450
Add: accrued finance costs	2,575,057	3,236,006
Less: adjustment to long-term borrowings based on effective interest rate method	(9,225,627)	(2,541,934)
	<u>680,326,846</u>	<u>732,191,522</u>

Long-term borrowings are presented in the interim condensed statement of financial position as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Long-term borrowings	549,773,316	-
Current maturity shown under current liabilities	130,553,530	732,191,522
	<u>680,326,846</u>	<u>732,191,522</u>

Movement in long-term borrowings is as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
At beginning of period / year	732,191,522	732,249,618
Finance costs for the period / year	12,094,475	29,308,714
Amortisation of transaction costs	803,999	2,561,134
Net gain on modification of terms of long-term borrowing agreements	(2,461,485)	-
Less: repayment of principal during the period / year	(44,520,034)	(3,750,000)
Less: repayment of finance costs	(17,781,631)	(28,177,944)
At end of period / year	<u>680,326,846</u>	<u>732,191,522</u>

5.1 SIDF BORROWING

The borrowing agreement with SIDF provided for a borrowing of Saudi Riyals 600 million to finance expansion and construction of the Company's production facilities, which was fully drawn by June 2010. Up-front and annual administrative fees are charged by SIDF under the borrowing agreements.

During the three-month period ended 31 March 2021, the Company signed a restructuring agreement with SIDF to principally reschedule the repayment of the principal amount of borrowing from 2021 to 2022. Such restructuring did not result in substantial modification of the terms of the previous borrowing agreement. The carrying amount of the borrowing was adjusted, as per the restructured terms, which resulted in a loss of Saudi Riyals 0.4 million.

The borrowing is secured by mortgage of the property, plant and equipment of the Company at 30 June 2021. The carrying value of the borrowing is denominated in Saudi Riyals.

The covenants of the borrowing require the Company to maintain certain level of financial conditions, limiting dividends distribution and annual capital expenditure above certain limits and certain other matters. As at 30 June 2021, the Company was compliant with covenants related to the SIDF borrowing.

5.2 MURABAHA FACILITIES

During 2007, the Company entered into an agreement with a syndicate of banks, namely, Gulf International Bank (B.S.C), Riyadh Bank, Samba Financial Group and Saudi British Bank (collectively called as "Murabaha Facility Participants") to provide Murabaha Facilities and Syndicate and Bilateral borrowings for financing of expansion projects. The borrowing is denominated in Saudi Riyals and bears financial charges based on prevailing market rates which are based on Saudi inter-bank offer rates.

During the three-month period ended 31 March 2021, the Company signed a restructuring agreement with the lender institutions to principally reschedule the repayment of the principal amount of borrowing from 2021 through 2022 to 2021 through 2028. Such restructuring did not result in substantial modification of the terms of the original borrowing agreement. The carrying amount of the borrowing was adjusted, as per the restructured terms, which resulted in a gain of Saudi Riyals 2.9 million.

The covenants of the Murabaha facilities require the Company to maintain certain level of financial conditions, limiting dividends distribution and annual capital expenditure above certain limits and certain other matters. At 30 June 2021, the Company was compliant with covenants related to the Murabaha facilities.

5.3 MATURITY PROFILE OF LONG-TERM BORROWINGS

The restructured maturity profile of long-term borrowings is as follows:

Years ending 30 June:	
2022	131,703,725
2023	139,633,559
2024	26,138,449
2025	35,643,340
2026	38,019,563
Thereafter	318,413,837
	<u>689,552,473</u>

6. STATUTORY RESERVE

In accordance with the Company's By-laws and Regulations for Companies in the Kingdom of Saudi Arabia, at each year end the Company is required to transfer 10% of the profit for the year, after adjusting for accumulated deficit, to a statutory reserve until such reserve equals 30% of its share capital. This reserve is currently not available for distribution to the shareholders of the Company.

7. RELATED PARTY TRANSACTIONS

Related parties comprise the shareholders, directors, associated companies and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest ("other related parties").

- a) Significant transactions entered into by the Company with its related parties comprise of costs and expenses charged by other related parties for the three-month and six-month periods ended 30 June 2021 amounting to Saudi Riyals Nil and Saudi Riyals 54,399, respectively (three-month and six-month periods ended 30 June 2020: Saudi Riyals Nil and Saudi Riyals 81,804, respectively).

- b) Key management personnel compensation:

	For the three-month period ended 30 June 2021	For the three-month period ended 30 June 2020	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020
Salaries and other short-term employee benefits	1,933,452	1,991,974	3,173,541	3,794,563
Employee benefit obligations	41,034	48,847	82,068	103,054

8. BASIC AND DILUTED EARNINGS/ (LOSS) PER SHARE

Basic earnings/ (loss) per share is calculated by dividing the profit (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. As the Company does not have any dilutive potential shares, the diluted earnings/ (loss) per share is the same as the basic earnings/ (loss) per share.

	For the three-month period ended 30 June 2021	For the three-month period ended 30 June 2020	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020
Profit/ (loss) for the period	60,167,110	(31,283,023)	90,043,101	(59,883,154)
Weighted average number of ordinary shares for basic and diluted earnings/ (loss) per share	120,600,000	120,600,000	120,600,000	120,600,000
Earnings/ (loss) per share	0.50	(0.26)	0.75	(0.50)

9. CONTINGENCIES AND COMMITMENTS

- a) At 30 June 2021, the Company was contingently liable for bank guarantees and letter of credits issued in the normal course of business amounting to Saudi Riyals 51.4 million and Saudi Riyals 1.84 million, respectively (31 December 2020: Saudi Riyals 52.7 million and Saudi Riyals 0.01 million, respectively).
- b) The capital expenditure contracted by the Company but not incurred till 30 June 2021 was approximately Saudi Riyals 8.8 million (31 December 2020: Saudi Riyals 19.6 million).
- c) During 2020, the Zakat, Tax and Customs Authority (the "ZATCA"), formerly known as General Authority for Zakat and Tax (the "GAZT"), issued additional zakat assessments for the years 2014 through 2018 amounting to Saudi Riyals 8.8 million, out of which the Company paid Saudi Riyals 0.2 million in 2020 relating to the years 2014 through 2017, and, paid another Saudi Riyals 0.2 million in 2021 relating to the year 2016. The Company has filed an appeal against the ZATCA's assessment.

During the period ended 31 March 2021, the ZATCA issued a revised assessment with an additional zakat liability of approximately SR 21 million for the years 2014 through 2016. The Company has filed an appeal against the ZATCA's revised assessment with the General Secretariat of Tax Committee (the "GSTC") for the years 2014 through 2016 and GSTC's review is awaited. Further, the ZATCA issued a revised assessment with an additional zakat liability of SR Nil for the years 2017 and 2018.

The management of the Company believes that the maximum liability that may arise upon the ultimate resolution of the appeal for the remaining items in the assessment is Saudi Riyals 2 million which was provided for in 2020 and is included in zakat payable as at 30 June 2021.

10. SUBSEQUENT EVENTS

In the opinion of the management, there have been no significant subsequent events since the period ended 30 June 2021 that would have a material impact on the financial position of the Company as reflected in these interim condensed financial statements.

11. COMPARITIVE AMOUNTS

Certain of the prior period figures have been reclassified to conform to the presentation in the current period. None of the reclassification impacted the profit or equity.