

CITY CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022

AND INDEPENDENT AUDITOR'S REVIEW REPORT

CITY CEMENT COMPANY

A Saudi Joint Stock Company

INDEX OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

Table of contents	Page
Independent auditor's review report of the condensed interim consolidated financial information	2
Condensed interim consolidated statement of financial position	3
Condensed interim consolidated statement of profit or loss and other comprehensive income	4
Condensed interim consolidated statement of changes in equity	5
Condensed interim consolidated statement of cash flows	6
Notes to the condensed interim consolidated financial statements	7 - 17

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders of
(CITY CEMENT COMPANY)
A Saudi Joint Stock Company

Riyadh - Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of **City Cement Company** (The "Company") a Saudi Joint Stock Company, and its subsidiary (together the "Group") as of 31 March 2022 and the related condensed interim consolidated statement of profit or loss and other comprehensive income for the three - month period then ended, the condensed interim consolidated statement of changes in equity and cash flows for the three-month period then ended including a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard "Interim Financial Reporting"(IAS 34), that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

Scope Of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information 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 condensed interim consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.,



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



Date: 15 Shawwal 1443 (H)
Corresponding to: 16 May 2022 (G)

CITY CEMENT COMPANY

(A Saudi Joint Stock Company)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In Saudi Riyals)

	Notes	Balance As at	
		31 March 2022 (Unaudited)	31 Dec 2021 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	5	1,367,839,610	1,382,520,048
Right of use assets	6	5,368,281	5,724,421
Investments in equity instruments at fair value through other comprehensive income - FVOCI	7	3,975,760	3,302,371
Intangible assets		1,918,092	1,904,245
Total non-current assets		<u>1,379,101,743</u>	<u>1,393,451,085</u>
Current assets			
Inventory		167,292,803	143,215,301
Trade receivables		28,832,650	27,955,239
Investments in equity instruments at fair value through profit or loss - FVPL	8	216,380,904	248,276,792
Prepayments and other receivables		19,534,988	17,356,982
Short term time deposit		70,000,000	70,000,000
Cash and cash equivalents		47,606,679	55,737,832
Total current assets		<u>549,648,024</u>	<u>562,542,146</u>
Total assets		<u>1,928,749,767</u>	<u>1,955,993,231</u>
Equity and Liabilities			
Equity			
Share capital		1,400,000,000	1,400,000,000
Statutory reserve		191,498,719	191,498,719
Other reserves		(1,641,254)	(2,314,643)
Retained earnings		188,090,375	240,938,210
Total equity		<u>1,777,947,840</u>	<u>1,830,122,286</u>
Liabilities			
Non-current liabilities			
Employees' end-of-service benefits		19,609,678	19,184,685
Non-current portion of lease liabilities		3,635,108	3,635,108
Provision for rehabilitation of areas subject to franchise license	9	6,774,475	6,707,401
Total non-current liabilities		<u>30,019,261</u>	<u>29,527,194</u>
Current liabilities			
Trade payables		35,083,849	23,581,318
Current portion of lease liabilities		1,583,462	1,531,897
Accrual and other payables		68,939,758	58,304,939
Provision for zakat		15,175,597	12,925,597
Total current liabilities		<u>120,782,666</u>	<u>96,343,751</u>
Total liabilities		<u>150,801,927</u>	<u>125,870,945</u>
Total equity and liabilities		<u>1,928,749,767</u>	<u>1,955,993,231</u>

Finance Manager	CEO and Board Member	Vice Chairman of Board of Directors and Managing Director
Idrees Abo Alqasem	Majed Bin Abdulrahman Al-Osailan	Bader Bin Omar Al-Abdullatif

The accompanying notes from (1) to (17) form an integral part of these condensed interim consolidated financial statements

CITY CEMENT COMPANY

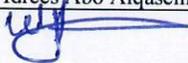
A Saudi Joint Stock Company

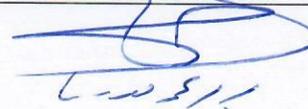
CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

(In Saudi Riyals)

	Notes	For the three-month period ended 31 March	
		2022	2021
Revenue		108,104,308	170,625,520
Cost of revenues		(81,817,822)	(94,477,513)
Gross profit		26,286,486	76,148,007
Selling and marketing expenses		(2,605,786)	(2,683,054)
General and administrative expenses		(6,149,170)	(6,873,477)
Operating profit		17,531,530	66,591,476
Gain on changes in fair value investments in equity instruments	8	1,104,112	638,100
Other income, net		941,542	1,270,745
Finance cost		(115,019)	(95,708)
Provision for expected credit loss expense		(60,000)	(60,000)
Net profit for the period before zakat		19,402,165	68,344,613
Zakat expense		(2,250,000)	(2,325,000)
Net profit for the period		17,152,165	66,019,613
Items of other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain on changes in fair value of investment in equity instruments	7	673,389	92,245
Total comprehensive income for the period		17,825,554	66,111,858
Earnings per share			
Basic and diluted earnings per share of net profit for the period	10	0.12	0.47

Finance Manager	CEO and Board Member	Vice Chairman of Board of Directors and Managing Director
Idrees Abo Alqasem	Majed Bin Abdulrahman Al-Osailan	Bader Bin Omar Al-Abdullatif





The accompanying notes from (1) to (17) form an integral part of these condensed interim consolidated financial statements

CITY CEMENT COMPANY
A Saudi Joint Stock Company

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
(In Saudi Riyals)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
<u>For the three-month period ended 31 march 2022</u>					
Balance as at 1 January 2022 (Audited)	1,400,000,000	191,498,719	(2,314,643)	240,938,210	1,830,122,286
Net profit for the period	-	-	-	17,152,165	17,152,165
Items of other comprehensive income	-	-	673,389	-	673,389
Total comprehensive income for the period	-	-	673,389	17,152,165	17,825,554
Dividends (Note 16)	-	-	-	(70,000,000)	(70,000,000)
Balance as at 31 march 2022 (Unaudited)	<u>1,400,000,000</u>	<u>191,498,719</u>	<u>(1,641,254)</u>	<u>188,090,375</u>	<u>1,777,947,840</u>
<u>For the three-month period ended 31 March 2021</u>					
Balance as at 1 January 2021 Before Restatement (Audited)	1,400,000,000	175,470,692	(2,115,616)	271,685,968	1,845,041,044
Net profit for the period	-	-	-	66,019,613	66,019,613
Items of other comprehensive income	-	-	92,245	-	92,245
Total comprehensive income for the period	-	-	92,245	66,019,613	66,111,858
Dividends (Note 16)	-	-	-	(70,000,000)	(70,000,000)
Balance as at 31 march 2021 (Unaudited)	<u>1,400,000,000</u>	<u>175,470,692</u>	<u>(2,023,371)</u>	<u>267,705,581</u>	<u>1,841,152,902</u>

Finance Manager

Idrees Abo Alqasem



CEO and Board Member

Majed Bin Abdulrahman Al-Osailan



Vice Chairman of Board of Directors and Managing Director

Bader Bin Omar Al-Abdullatif



The accompanying notes from (1) to (17) form an integral part of these condensed interim consolidated financial statements

CITY CEMENT COMPANY

(A Saudi Joint Stock Company)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(In Saudi Riyals)

	For the three-month period ended	
	2022	2021
Operating activities		
Net profit for the period before zakat	19,402,165	68,344,613
Adjustments:		
Depreciation	20,283,411	20,646,677
Gain on changes in fair value of investment in equity instruments	(1,104,112)	(638,100)
Provision for expected credit loss	60,000	60,000
Provision for obsolescence inventory	437,500	500,000
Employees' end-of-service benefits	555,010	577,124
Finance cost	115,019	95,708
Changes in:		
Inventory	(24,515,002)	33,454,633
Trade receivables	(937,411)	(3,409,632)
Prepayments and other receivables	(2,178,006)	(3,406,991)
Trade payables	11,502,531	(69,236)
Accrual and other payables	10,634,819	11,308,622
Cash from operation	34,255,924	127,463,418
Employees' end-of-service benefits paid	(126,397)	(171,515)
Net cash flows generated from operating activities	34,129,527	127,291,903
Investing activities		
Purchase of investment at FVTPL	(432,000,000)	(119,000,000)
Sale of investment in at FVTPL	465,000,000	65,000,000
Purchase of property, plant and equipment and capital work in progress	(5,238,420)	(2,860,932)
Purchase of intangible assets	(22,260)	-
Net cash flows generated / (used in) from investing activities	27,739,320	(56,860,932)
Financing activities		
Dividends paid	(70,000,000)	(70,000,000)
Repayments of lease liability	-	(481,895)
Net cash flows used in financing activities	(70,000,000)	(70,481,895)
Net change in cash and cash equivalents	(8,131,153)	(50,924)
Cash and cash equivalents at the beginning of the period	55,737,832	50,061,188
Cash and cash equivalents at the end of the period	47,606,679	50,010,264
Non-cash transactions from investing activities:		
Transfer from capital work in progress to property, plant and equipment	437,878	-

Finance Manager

Idrees Abo Alqasem

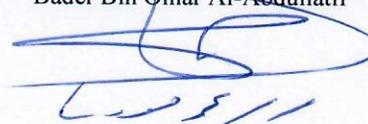


CEO and Board Member

Majed Bin Abdulrahman Al-Osailan

Vice Chairman of Board of Directors and
Managing Director

Bader Bin Omar Al-Abdullatif



The accompanying notes from (1) to (17) form an integral part of these condensed interim consolidated financial statements

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

(All amounts are in Saudi Riyals unless otherwise stated)

1. The company, its subsidiary and activity

1.1 Establishment of the Company

City Cement Company (the “Group”), is a Saudi joint stock company, established under Ministerial Resolution No. 804 and dated 12/5/1426 H (corresponding to: 18/6/2005 G) and registered in Riyadh under Commercial Registration No. 1010210441 dated 14/5/1426 H (corresponding to: 20/6/2005 G) and Industrial License No. 1163/ dated 3/6/1426 H (corresponding to:9/7/2005 G) and renewed with No. 590 dated 10/2/1438 H (corresponding to:10/11/2016 G). The Company operates under a material quarry license according to the mining regulations issued by Royal Decree No. 216 dated 28/7/1425 H (corresponding to: 12/9/2004 G) and its duration is thirty Hijra periods starting from the date of the license, and the Company has the right to request a similar period of renewal of this license subject to the approval of the Ministry of Industry and Mineral Resources.

The Company has the following branch:

<u>Branch name</u>	<u>CR No.</u>	<u>Date</u>	
		<u>Hijri</u>	<u>Georgian</u>
Branch of city cement company for contracting	1010356028	16-1-1434	29-11-2012

These condensed interim consolidated financial statements include the assets, liabilities and results of the work of its subsidiary, Green Solutions for environmental services.

Green Solutions for environmental services

On 27 Rajab 1442 H (corresponding 10 March 2021), the Company's Board of Directors approved the establishment of a subsidiary Green Solutions for environmental services limited liability company wholly owned with its registered office in Riyadh with a capital of SR 500,000 specialized, upon obtaining the required approvals and licenses from the relevant authorities.

During 2021, the Company announced the completion of the issuance of the article of association and the Commercial Register of its subsidiary under the Commercial Registration No. 1010664201.

The Company's article of association was issued on 27 Shawal 1442 H. Corresponding 8 June 2021.

The nature of the company's activities are as follows:

Collection of materials for recycling, transportation of municipal waste, operation of municipal waste dumping sites for disposal purposes, treatment of organic waste for disposal, recycling and reuse of municipal waste.

1.2 COVID – 19 UPDATES

In response to the spread of the Covid-19 in GCC and other territories where the Group operates and its resulting disruptions to the social and economic activities in those markets over the last two years, management continues to proactively assess its impacts on its operations. In particular the Group is closely monitoring the current surge in cases due to the outbreak of a new variant - Omicron. The preventive measures taken by the Group in 2020 are still in effect including the creation of ongoing crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and the wider community as well as to ensure the continuity of supply of its products throughout its markets.

The Group continues to monitor the surge of the new variant closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Group's operations during 2022 or beyond.

Based on these factors, management believes that the COVID-19 pandemic did not have any material impact on the Group's reported financial results for the period ended 31 March 2022, including significant accounting judgments and estimates.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

(All amounts are in Saudi Riyals unless otherwise stated)

1.3 Climate Change

The Group is subject to short-term and long-term climate change related risks, these risks are inherent part of operating a cement industry. The Group is continuously working to reduce environmental impact from the business, in part, due to inherent risks.

Rising fuel costs and the greenhouse gas emissions associated with fuel and electricity consumption have an impact not only on the environment but also on the Group's net financial profit. Climate change also leads to risks to cement production through reduction in fuel consumption, diseases, etc., that pose challenges for sustaining and increasing production levels.

The Group has developed a sustainability strategy, outlining how it will improve its energy performance through efficient energy consumption and generation from sustainable sources. The strategy focuses on electricity generation and fuel efficiency measures powered by alternative fuels.

1.4 The nature of the Company's activity

The Company's activities are the production of ordinary portland cement and sulphate resistant cement, the import and operation of radioactive devices of the Company's plants, processing waste, industrial, agricultural and municipal waste, and producing alternative fuels after obtaining the necessary licenses and specialized sub-contracts.

1.5 Company's capital

City Cement Company is a public joint stock Company listed in the Saudi capital market. Its share capital is SAR 1,400,000,000 divided into 140,000,000 shares with a nominal value of 10 Saudi Riyals.

1.6 Fiscal year

The Group's fiscal year is 12 months from the beginning of January until the end of December of each calendar year.

2. Basis of preparation

These condensed interim consolidated financial statements has been prepared in accordance with International Accounting Standard (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement as issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

This condensed interim consolidated financial statements has been prepared on the historical cost basis except for the following material items in the condensed consolidated statement of Financial Position:

- Investments in equity instruments at fair value through other comprehensive income which is measured at fair value.
- Investments in equity instruments at fair value through profit or loss which is measured at fair value.
- Employees' end-of-service benefits which is measured using the projected unit credit method.
- Provision for rehabilitation of areas subject to franchise license which is measured at present value.

These Condensed Interim consolidated financial statements are presented in Saudi Riyals "SAR", which is the Group's functional and presentational currency.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

(All amounts are in Saudi Riyals unless otherwise stated)

2.1 Basis of consolidation

The condensed interim consolidated financial statements include the financial statements of the Company and its subsidiary (Referred as “Group”) as at 31 March 2022:

<u>Name of Subsidiary</u>	<u>Legal statues</u>	<u>Ownership percentage As at 31 March 2022</u>
Green Solutions for environmental services	A single shareholder limited liability company	100%

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control to support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group’s voting rights and potential voting rights.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (FVOCI) are attributed to the equity holders of the Group.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

(All amounts are in Saudi Riyals unless otherwise stated)

3. Significant judgements and estimates

In preparing these condensed interim consolidated financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the annual Financial Statements as of 31 December 2021.

4. Significant accounting policies

The accounting policies applied to the condensed interim consolidated financial statements are the same as those accounting policies applied for annual financial statements as of 31 December 2021. The Group's financial risk management policies and objectives are consistent with those disclosed in financial statements as of 31 December 2021.

New standards, amendments to standards, and interpretation

There are no new standards issued, however, there are number of amendments to standards, which are effective from 1 January 2022 and has been explained in annual Financial Statements, but they do not have a material effect on the Group's condensed interim consolidated financial statements.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)**

(All amounts in Saudi Riyals unless otherwise stated)

5. Property, plant and equipment

	<u>Land</u>	<u>Machinery and equipment</u>	<u>Buildings and roads</u>	<u>Mobile equipment</u>	<u>Vehicles</u>	<u>Furniture and fixtures</u>	<u>Capital work in progress</u>	<u>Total</u>
Cost:								
Balance as at 1 January 2021	3,600,000	1,583,799,954	612,579,029	127,512,880	12,803,210	16,709,675	6,191,530	2,363,196,278
Additions	-	3,280,392	-	26,058	206,227	368,696	5,028,236	8,909,609
Transfer from work in progress	-	3,555,156	-	963,399	-	-	(4,518,555)	
Disposal	-	-	-	-	(187,000)	-	-	(187,000)
Balance as at 31 December 2021	3,600,000	1,590,635,502	612,579,029	128,502,337	12,822,437	17,078,371	6,701,211	2,371,918,887
Additions	-	4,241,591	-	6,692	-	55,622	934,515	5,238,420
Transfer from work in progress	-	-	-	437,878	-	-	(437,878)	-
Balance as at 31 March 2022	3,600,000	1,594,877,093	612,579,029	128,946,907	12,822,437	17,133,993	7,197,848	2,377,157,307
Accumulated depreciation:								
Balance as at 1 January 2021	-	608,789,310	196,754,131	77,578,036	12,050,228	14,705,142	-	909,876,847
Depreciation	-	55,610,227	17,767,354	4,984,406	297,866	1,049,139	-	79,708,992
Disposal	-	-	-	-	(187,000)	-	-	(187,000)
Balance as at 31 December 2021	-	664,399,537	214,521,485	82,562,442	12,161,094	15,754,281	-	989,398,839
Depreciation	-	13,970,394	4,434,832	1,263,614	76,226	173,792	-	19,918,858
Balance as at 31 March 2022	-	678,369,931	218,956,317	83,826,056	12,237,320	15,928,073	-	1,009,317,697
Net book value:								
As at 31 March 2022	3,600,000	916,507,162	393,622,712	45,120,851	585,117	1,205,920	7,197,848	1,367,839,610
As at 31 December 2021	3,600,000	926,235,965	398,057,544	45,939,895	661,343	1,324,090	6,701,211	1,382,520,048

- The company uses quarries of raw materials leased from the Ministry of Industry and Mineral Resources under a license of raw materials query for a 30-year Hijri from 15/9/1426 H.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)**

(All amounts in Saudi Riyals unless otherwise stated)

6. Right of use assets

	<u>Leased land</u>	<u>Leased building</u>	<u>Total</u>
Cost:			
Balance as at 1 January 2021	5,949,492	1,723,428	7,672,920
Disposals ⁽¹⁾	(4,577,291)	(1,723,428)	(6,300,719)
Additions	-	5,750,599	5,750,599
Balance as at 31 December 2021	1,372,201	5,750,599	7,122,800
Balance as at 31 march 2022	1,372,201	5,750,599	7,122,800
Accumulated depreciation:			
Balance as at 1 January 2021	3,600,408	1,292,571	4,892,979
Depreciation	1,800,203	1,005,916	2,806,119
Disposals ⁽¹⁾	(4,577,291)	(1,723,428)	(6,300,719)
Balance as at 31 December 2021	(823,320)	(575,059)	(1,398,379)
Depreciation	(68,610)	(287,530)	(356,140)
Balance as at 31 march 2022	(891,930)	(862,589)	(1,754,519)
Net book value:			
As at 31 march 2022	480,271	4,888,010	5,368,281
As at 31 December 2021	548,881	5,175,540	5,724,421

⁽¹⁾ The disposals represent the expiry of the lease contract for the operation, maintenance and investment of the waste sorting unit in the sanitary landfill in the city of Buraidah during the year 2021 and the contract was not renewed, also the lease contract for the Company's administrative headquarters expired during the year 2021 and a new contract was signed for five years.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

(All amounts in Saudi Riyals unless otherwise stated)

7. Investments in equity instruments at fair value through other comprehensive income – FVOCI:

Saudi Arabian Oil Group (Aramco) (a Saudi joint stock company)	Shares	As at 31 march 2022	As at 31 December 2021
Balance at the beginning of the period / year	92,245	3,302,371	3,228,575
Gain on change of fair value during period / year		673,389	73,796
Total investment at the end of the period / Year		<u>3,975,760</u>	<u>3,302,371</u>

On 3 December 2019, the Board of Directors approved the investment in Saudi Arabian Oil Company (Aramco) shares. The company subscribed in 92,245 shares with a total value of SAR 2,951,840. This is from the company's own sources and in accordance with its future cash flows and plans.

On 20 March 2022, The Saudi Arabian Oil Company (Aramco), announced the distribution of cash dividends for the fourth quarter of the year 2021 equivalent to 0.3518 riyals per share, which resulted in dividend income amounted to SAR 32,452 which is included in other income.

8. Investments in equity instruments at fair value through profit or loss – FVPL:

	As at 31 March 2022	As at 31 December 2021
Balance at the beginning of the period / year	248,276,792	242,098,817
Purchases during the period / year	432,000,000	410,200,000
Sales during the period / year	(465,000,000)	(406,952,211)
Gain on change in fair value period / year	1,104,112	2,930,186
Balance at the end of the period / year	<u>216,380,904</u>	<u>248,276,792</u>

The investments represent units in open local investment funds with an objective of providing a reasonable amount of income as well as liquidity from short-term investments in Saudi Riyals.

9. Provision for rehabilitation of areas subject to franchise license

The provision movement is as follow:

	As at 31 March 2022	As at 31 December 2021
Balance at the beginning of the period / year	6,707,401	6,449,424
Effective interest during the period / year	67,074	257,977
Balance at the end of the period / year	<u>6,774,475</u>	<u>6,707,401</u>

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

(All amounts in Saudi Riyals unless otherwise stated)

10. Earnings per share

Basic and diluted earnings per share is calculated by dividing the period's net profit by the weighted average number of shares during the period:

	For the three-month period ended 31 March	
	2022	2021
Net profit for the period	17,152,165	66,019,613
	Share	Share
Weighted average number of shares	140,000,000	140,000,000
	SAR / Share	SAR / Share
Basic and diluted earnings per share from the net profit of the period	0.12	0.47

11. Financial facilities

The Group has unused financial facilities from local banks amounted to SAR 90.7 million that is guaranteed by promissory note, the Group has not used until the date of the condensed interim consolidated financial statements, except for what is mentioned in Note 12, and there are no obligations as a result of not using these facilities.

12. Contingent liabilities

The contingent liabilities against letters of guarantee are SAR 17,518,417 as at 31 March 2022.

13. Segment reporting

	For the three-month period ended 31 March			
	2022		2021	
<u>Geographical area</u>	<u>Cement sales</u>	<u>Revenue from environmental services</u>	<u>Cement sales</u>	<u>Revenue from environmental services</u>
Kingdom of Saudi Arabia	108,104,308	133,280	170,625,520	1,300,777
Total	<u>108,104,308</u>	<u>133,280</u>	<u>170,625,520</u>	<u>1,300,777</u>

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

(All amounts in Saudi Riyals unless otherwise stated)

14. Transactions with related parties

Transactions with related parties consist mainly of salaries, allowances and key executive personnel remuneration.

Key management personnel are those who exercise authority and responsibility in directly or indirectly planning, directing and monitoring the Group's activities, including the members of board and senior management employees.

Members of the Board of Directors do not receive any remuneration for their role in managing the Group unless approved by the General Assembly. Members of the Board of Directors receive an attendance allowance for Board and Board Committee meetings. Executive Directors receive fixed remuneration as a result of their direct duties and responsibilities.

The following table illustrates details of remuneration and compensation paid to Directors and Key Management Personnel:

Related parties	Nature of the transaction	For the three month period ended 31 March	
		2022	2021
Members of Board of the directors and Key Management Personnel	Salaries, wages, and equivalent and board remuneration and attendance allowances	2,025,659	1,925,728

15. Financial instruments and risk management

The Group's activities expose it to a variety of financial risks, market risk, credit risk, and liquidity risk.

Financial instruments in the Condensed Interim consolidated financial position include investments at fair value through profit or loss and other comprehensive income, cash and cash equivalents, other assets, account receivable, and other liabilities.

a) **Market risk**

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as, commission rates, commodity prices and foreign currency exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Commission rate risk

Commission rate risk is the exposure associated with the effect of fluctuations in the prevailing commission rates on the Group's condensed interim consolidated financial position and consolidated cash flows.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in currency that is not the Group's currency. The Group exposure to foreign currency risk is primarily limited to transactions in United State Dollars ("USD") and Euro. The fluctuation in exchange rates against USD and EUR are monitored on a continuous basis.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

(All amounts in Saudi Riyals unless otherwise stated)

b) Credit risk

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances and trade receivables.

The Group manages credit risk relating to trade receivables in accordance with the specified policies and procedures. The Group limits credit risk relating to trade receivables by setting credit limits for each customer and continuously monitoring outstanding trade receivables.

c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted and include estimated interest payments.

As at 31 March 2022	Book value	Less than one year	From 1 year to 5 years	Total
Lease liability	5,218,570	1,583,462	3,635,108	5,218,570
Trade payables	35,083,849	35,083,849	-	35,083,849
Accrual and other payables	68,939,758	68,939,758	-	68,939,758
	109,242,177	105,607,069	3,635,108	109,242,177

As at 31 December 2021	Book value	Less than one year	From 1 year to 5 years	Total
Lease liability	5,167,005	1,531,897	3,635,108	5,167,005
Trade payables	23,581,318	23,581,318	-	23,581,318
Accrual and other payables	38,840,171	38,840,171	-	38,840,171
	67,588,494	63,953,386	3,635,108	67,588,494

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments. The Group's terms of sales require amounts to be paid either on a cash on delivery or on a term's basis.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

(All amounts in Saudi Riyals unless otherwise stated)

16. Dividends

16.1 On 9 March 2022 and based on a mandate from the Ordinary General Assembly, The Board of Directors distribute dividends to shareholders for the second half of 2021 for 0.50 Saudi riyals per share at a value of 70,000,000 Saudi riyals, at 5% of Group's share capital.

16.2 On 28 February 2021 and based on a mandate from the Ordinary General Assembly, the Board of Directors distribute dividends to shareholders for the second half of 2020 for 0.50 Saudi riyals per share, at a value of 70,000,000 Saudi riyals, at 5% of the Group's capital.

17. Approval of the condensed interim consolidated Financial Statements

These condensed interim consolidated financial statements were approved by the Board of Directors of the Group on 15 Shawwal 1443(H) Corresponding to 16 May 2022(G).
