

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

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

For the three-month period ended 31 March 2021
with

INDEPENDENT AUDITORS' REPORT ON REVIEW



KPMG Professional Services

Zahrán Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Headquarter in Riyadh

Commercial Registration No 4030290792

كي بي إم جي للاستشارات المهنية

مركز الزهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جدة 21534
المملكة العربية السعودية
المركز الرئيسي الرياض

سجل تجاري رقم 4030290792

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of the Arabian Cement Company
(A Saudi Joint Stock Company)
Jeddah - Kingdom Saudi Arabia

Introduction

We have reviewed the accompanying 31 March 2021 condensed consolidated interim financial statements of Arabian Cement Company ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 31 March 2021,
- the condensed consolidated statement of profit or loss for the three-month period ended 31 March 2021,
- the condensed consolidated statement of comprehensive income for the three-month period ended 31 March 2021,
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2021,
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2021; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is 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 the 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.

KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (15,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (15,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة إنجليزية محدودة بضمان. جميع الحقوق محفوظة

Commercial Registration of the headquarter in Riyadh is 1010425494.

Independent auditor's report on review of condensed consolidated interim financial statements (continued)

To the Shareholders of the Arabian Cement Company
(A Saudi Joint Stock Company)
Jeddah -Kingdom Saudi Arabia

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2021 condensed consolidated interim financial statements of Arabian Cement Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services



Ebrahim Oboud Baeshen
License No. 382



Jeddah, 6 May 2021
Corresponding to 24 Ramadan 1442H

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

	<u>Note</u>	31 March 2021 (unaudited) Saudi Riyal (Thousands)	31 December 2020 (Audited) Saudi Riyal (Thousands)
Assets			
Property, plant and equipment	7	2,295,468	2,329,743
Intangible assets		15,177	15,477
Investment properties		5,700	5,700
Investments in equity accounted investees	8	48,302	48,343
Equity instruments at FVOCI		187,880	179,981
Deferred income tax	13	16,724	15,911
Right-to-use assets		5,033	5,130
Non- current assets		2,574,284	2,600,285
Inventories	10	466,375	547,927
Trade receivables	11	220,674	221,900
Prepayments and other receivables		29,832	21,702
Cash at bank		394,155	234,428
Current assets		1,111,036	1,025,957
Total assets		3,685,320	3,626,242
Shareholders' equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	1	1,000,000	1,000,000
Share premium		293,565	293,565
Statutory reserve		500,000	500,000
General reserve		95,000	95,000
Foreign currency translation reserve		(561)	(561)
FVOCI equity instruments assessment reserve		129,976	122,077
Retained earnings		968,683	901,690
Total equity attributable to the Company's shareholders		2,986,663	2,911,771
Non-controlling interests		82,575	81,135
Total equity (after)		3,069,238	2,992,906

The attached notes 1 to 19 form integral part
of these condensed consolidated interim financial statements.

Mr. Wael Ibrahim Al-Jabhan
Financial Affairs Acting
Vice President

Mr. Badr Osama Jawhar
Chief Executive Officer

Eng. Mutaaz Qusai Al-Azawi
Authorized BOD Member

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 March 2021

	<u>Note</u>	31 March 2021 (unaudited) Saudi Riyal (Thousands)	31 December 2020 (Audited) Saudi Riyal (Thousands)
Before		3,069,238	2,992,906
Term loans	12	287,681	322,722
Employees' defined benefit obligations		49,754	49,743
Lease liabilities	9	4,412	4,632
Non-current liabilities		341,847	377,097
Term loans	12	22,479	10,578
Trade and other payables		213,176	211,136
Zakat and income tax payable		25,260	21,510
Distribution payable	17	12,355	12,366
Lease liabilities	9	965	649
Current liabilities		274,235	256,239
Total liabilities		616,082	633,336
Total equity and liabilities		3,685,320	3,626,242

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ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
For the three-month period ended 31 March 2021

	<u>Note</u>	<u>2021</u> Saudi Riyal (Thousands)	<u>2020</u> Saudi Riyal (Thousands)
Revenue		321,502	204,598
Sales cost		(217,377)	(132,614)
Gross profit		104,125	71,984
Selling and distribution expenses		(15,498)	(6,722)
General and administrative expenses		(10,287)	(8,282)
Operating Income		78,340	56,980
Group's share of results of equity-accounted investees	8	(77)	(3,554)
Finance costs		(5,266)	(7,131)
Losses on the assessment of ineffective portion of financial derivatives		--	(3)
Other income		1,853	2,300
Profit before Zakat and income tax		74,850	48,592
Zakat		(3,750)	(5,250)
Income Tax		(2,703)	503
Profit for the period		68,397	43,845
<u>Profit for the period attributable to:</u>			
Shareholders of the Company		66,957	45,112
Non-controlling interests		1,440	(1,267)
		68,397	43,845
<u>Earnings per share for the period attributable to shareholders of the Company (SR):</u>	14		
Basic		0.67	0.45
Diluted		0.67	0.45

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ARABIAN CEMENT COMPANY
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

For the three-month period ended 31 March 2021

	<u>Note</u>	<u>2021</u> Saudi Riyal (Thousands)	<u>2020</u> Saudi Riyal (Thousands)
Profit for the period		<u>68,397</u>	<u>43,845</u>
<u>Other comprehensive income items:</u>			
Items that are or may be reclassified subsequently to the statement of profit or loss:			
Unrealized gains / (losses) on investment in OCI equity instruments		7,899	(21,136)
The Group's share in other comprehensive income of equity-accounted investees	8	36	--
Total other comprehensive income		<u>7,935</u>	<u>(21,136)</u>
Total comprehensive income for the period		<u>76,332</u>	<u>22,709</u>
<u>Total comprehensive income attributable to:</u>			
Shareholders of the Company		74,892	23,976
Non-controlling interests		1,440	(1,267)
Total comprehensive income for the period		<u>76,332</u>	<u>22,709</u>

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ARABIAN CEMENT COMPANY
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three-month period ended 31 March 2021

	Equity attributable to shareholders of the Company							Non-controlling interests Saudi Riyal (Thousands)	Total equity Saudi Riyal (Thousands)
	Share capital Saudi Riyal (Thousands)	Share premium Saudi Riyal (Thousands)	Statutory reserve Saudi Riyal (Thousands)	General reserve Saudi Riyal (Thousands)	Foreign currency translation reserve Saudi Riyal (Thousands)	FVOCI equity instruments assessment reserve Saudi Riyal (Thousands)	Retained earnings Saudi Riyal (Thousands)		
Balance as at January 1, 2021 (Audited)	1,000,000	293,565	500,000	95,000	(561)	122,077	901,690	81,135	2,992,906
<u>Total comprehensive income</u>									
Profit for the period	--	--	--	--	--	--	66,957	1,440	68,397
Other comprehensive income	--	--	--	--	--	7,899	36	--	7,935
<u>Total comprehensive income</u>	--	--	--	--	--	7,899	66,993	1,440	76,332
Balance at 31 March 2021 (unaudited)	1,000,000	293,565	500,000	95,000	(561)	129,976	968,683	82,575	3,069,238

ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the three-month period ended 31 March 2021

	Equity attributable to shareholders of the Company							Total equity attributable to the Company's shareholders Saudi Riyal (Thousands)	Non-controlling interests Saudi Riyal (Thousands)	Total equity Saudi Riyal (Thousands)
	Share capital Saudi Riyal (Thousands)	Share premium Saudi Riyal (Thousands)	Statutory reserve Saudi Riyal (Thousands)	General reserve Saudi Riyal (Thousands)	Foreign currency translation reserve Saudi Riyal (Thousands)	FVOCI equity instruments assessment reserve Saudi Riyal (Thousands)	Retained earnings Saudi Riyal (Thousands)			
Balance as at 1 January 2020 (Audited)	1,000,000	293,565	500,000	95,000	(561)	79,590	915,415	2,883,009	74,719	2,957,728
Total comprehensive income										
Profit for the period	--	--	--	--	--	--	45,112	45,112	(1,267)	43,845
Other comprehensive loss	--	--	--	--	--	(21,136)	--	(21,136)	--	(21,136)
Total comprehensive income	--	--	--	--	--	(21,136)	45,112	23,976	(1,267)	22,709
Balance at 31 March 2020 (unaudited)	1,000,000	293,565	500,000	95,000	(561)	58,454	960,527	2,906,985	73,452	2,980,437

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of these condensed consolidated interim financial statements.

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ARABIAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three-month period ended 31 March 2021

	Note	2021 Saudi Riyal (Thousands)	2020 Saudi Riyal (Thousands)
Income for the period before zakat and income tax		74,850	48,592
Adjustments:			
Depreciation on property, plant and equipment	7	34,897	32,720
Amortization of intangibles		300	300
Amortization of right to use assets		97	96
Group's share of results of equity-accounted investees	8	77	3,554
Losses on the assessment of ineffective portion of financial derivatives		--	3
Support of trade receivables provision		-	1,213
Finance costs		5,266	7,131
Employee defined benefit obligation charge for the period		922	935
		116,409	94,544
Changes in working capital:			
Trade receivables, prepayments and other debit balances		(6,904)	(2,208)
Inventories		81,552	6,632
Trade and other payables		5,348	(2,655)
		196,405	96,313
Finance costs paid		(5,170)	(7,032)
Zakat and income tax paid		(3,516)	--
Paid employees' benefits		(911)	(409)
Net cash provided by operating activities		186,808	88,872
Investing activities			
Additions to property, plant and equipment	7	(3,930)	(5,592)
Net cash used in investing activities		(3,930)	(5,592)
Financing activities			
Proceeds from term loans		20,000	--
Repayment of term loans		(43,140)	(15,445)
Payment of lease obligations		--	(94)
Dividends paid	17	(11)	(540)
Net cash used in financing activities		(23,151)	(16,079)
Change in cash and cash equivalents during the year		159,727	67,201
Cash and cash equivalents as at the beginning of the period		234,428	143,899
Cash and cash equivalents as at end of the period		394,155	211,100
Significant non-cash transactions			
Unrealized gains / (losses) on equity instruments at FVOCI		7,899	(21,136)
Settlement of trade and other payable		3,308	--

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

As at 31 March 2021

1. COMPANY INFORMATION

Arabian Cement Company (the “Company” or the “Parent Company”) is a Saudi Joint Stock Company incorporated in accordance with the Companies’ Regulations in the Kingdom of Saudi Arabia under the Royal Decree No. 731 dated 12 Jumada Al-Oula 1374H (5 January 1955) and the Company works under the commercial registry No. 4030000148 Jeddah, 14 Ramadan 1376 H (corresponding to April 13, 1957).

The Company’s share capital is one billion Saudi riyals divided into 100 million shares, of SR 10 each, as at 31 March 2021 and 31 December 2020.

The Company’s shares are listed in the Capital Market Authority in the Kingdom of Saudi Arabia. The Parent Company is owned by 6.67% to major shareholder, while 93.33% is owned by other shareholders as at 31 March 2021 (31 December 2020: 6.67% by major shareholder and 93.33% by other shareholders).

The main activity of the Company is as follows:

1. Production of cement, construction materials and other related materials and derivatives inside and outside the Kingdom of Saudi Arabia.
2. Trading of clinker, cement, construction materials and other related materials and derivatives inside and outside the Kingdom of Saudi Arabia.
3. Utilization of mines and establishing of factories and stores needed in manufacturing, storage, selling, purchase, exporting and importing and other complementary and supportive industries.

To achieve these purposes, the Company has the right to enter into all types of contracts of properties and movable assets within the limits if the applicable regulations.

The registered address of the Company is Arabian Cement Company building, 8605 King Abdulaziz Road, Nahdha District, Jeddah 23523-2113, Kingdom of Saudi Arabia.

As at 31 March 2021, the Company has, directly or indirectly, investments in the following subsidiaries (referred to collectively as the “Group”):

The details of the subsidiaries are as follows:

<u>Subsidiary</u>	<u>Principal business</u>	<u>County of incorporation</u>	<u>Holding (%)</u>	
			<u>2021</u>	<u>2020</u>
Bahrain Arabian Cement Holding Company (“Bahrain Cement Company”)	Holding company	Kingdom of Bahrain	100%	100%

At 5 November 2007, Bahrain Arabian Cement Holding Company has been established as an individual Company registered in the Kingdom of Bahrain with the purpose of managing its subsidiaries and to invest in shares, bonds and securities and to own properties and movable assets necessary to its operations and to provide loans and has facilities to provide loans warranties and financing for its subsidiaries.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**
As at 31 March 2021

1. COMPANY INFORMATION (continued)

Bahrain Cement Company has investment in the following subsidiary:

<u>Subsidiary</u>	<u>Principal business</u>	<u>County of incorporation</u>	<u>Holding (%)</u>	
			<u>2021</u>	<u>2020</u>
Qatrana Cement Joint Stock Private Company ("Qatrana Cement Company")	Cement production	Kingdom of Jordan	86,74%	86,74%

Bahrain Cement Company owns 86.74% of Qatrana Cement Company's shares and holds control over its business and management, and thus, Qatrana Cement Company is considered an indirectly owned subsidiary by the Parent Company and consolidated in these condensed consolidated interim financial statements. Qatrana Cement Company's activity is represented in the production of black Portland cement, white cement and calcium carbonate.

The condensed consolidated statement of profit or loss includes the results of operations of the subsidiaries for the three-month period ended 31 March 2021, and the condensed consolidated statement of financial position includes the assets and liabilities of the subsidiaries, as at 31 March 2021.

2. BASIS OF PREPERATION

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants. These condensed consolidated interim financial statements should be read in conjunction with the financial statements of the last annual financial statements of the Group as in as at 31 December 2020 ("Previous Year Financial Statements"). These financial statements do not include all the information required to prepare a complete set of consolidated financial statements in accordance with the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia, however some accounting policies and explanatory notes have been included to explain the events and transactions that are important to understand the changes in the financial position and financial performance of the Group from the consolidated financial statements of the previous year. In addition, the results for the three-month period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the year ending 31 December 2020.

2.2 Basis of Measurement

The Condensed consolidated interim financial statements have been prepared on historical cost basis, except for the following major items presented in condensed consolidated statement of financial position:

- Equity investments are measured at Fair Value through Other Comprehensive Income
- Defined benefits obligations accruals for future obligations are recognised based on the expected credit unit method.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
As at 31 March 2021

2. BASIS OF PREPARATION (continued)

2.3 Functional and presentation currency

These condensed consolidated interim financial statements are prepared in Saudi Arabian Riyals (SR) which is the Company's functional and presentation currency of the Group. All amounts have been rounded off to the nearest thousand Saudi Riyal unless otherwise stated.

3. USE OF JUDGEMENTS AND ESTIMATES

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and actual results may differ from these estimates.

Estimates and assumptions are based on previous experience and factors that may include expecting suitable future events which are used to extend book period of dependent assets and liabilities from other resources and estimates and assumptions are continuously being evaluated. Revised accounting estimates are also reviewed in the period in which the estimates are revised in the audit period and future periods, if the changed estimates affect current and future periods.

Significant judgments made by the management upon the adopting the Company's accounting policies correspond to the disclosed policies in the financial statements for the year ended December 31, 2020.

4. BASIS OF CONSOLIDATION

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries set forth in Note 1. Control is achieved when the Group is exposed, or has rights to returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group is considered having control over the investee in the following cases or elements:

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

The Group reassesses whether it has control over the investee if facts and circumstances indicate that there have been changes in one of the above-mentioned 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 an acquired or disposed of subsidiary during the period are included in the consolidated financial statements from the date the Group gains control until the date the control ceases.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

As at 31 March 2021

4. BASIS OF CONSOLIDATION (continued)

Profits, losses and all components of other comprehensive income are attributable to the equity holders of the Parent Company of the Group and to the holders of non-controlling interests, even if this results in a deficit balance in favor of the non-controlling interest holders. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group balances and financial transactions resulting from transactions between the Group and its subsidiaries and those arising between the subsidiaries are eliminated in preparing these consolidated financial statements. Also, any unrealized gains or losses resulting from internal transactions in the Group are eliminated upon consolidation of the financial statements.

Any change in shareholding interests in the subsidiary, without loss of control, is accounted for as an equity transaction, and when the Group loses control on the subsidiary it and does the following:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- De-recognition of the carrying amount of any non-controlling interest.
- Derecognition of the cumulative transfer differences recorded under equity.
- Recognizes the fair value of consideration received
- Recognizes the fair value of any investment retained
- Surplus or deficit are recognized in profit or loss.

The Parent Company's share of the aforementioned components within other comprehensive income is reclassified under profit, loss or retained earnings, as would be required if the Group had directly disposed of the related assets or liabilities.

Eliminated transactions

Intra-group balances and transactions, as well as any unrealized gains or losses resulting from internal transactions between the Group's companies, are completely eliminated when preparing these consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but to the extent that there is no evidence of impairment.

Non-controlling interests

The non-controlling interests in the net assets of the consolidated subsidiaries are recognized separately from the Group's equity in the net assets. Non-controlling interests consist of the amounts of those interests that are recognized at the date of the original business combination in addition to their shares in the changes in equity in the Company that occur after the date of acquisition.

The Group does not add its indirect share in the subsidiaries that it owns through investments in equity-accounted investees. When calculating the shares attributable to non-controlling interests, only the shares owned directly or indirectly by another subsidiary are taken into account.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**
As at 31 March 2021

5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED

5.1 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the Condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. There is no impact the condensed consolidated interim financial statements.

<u>Effective as of</u>	<u>New standards or amendments</u>
1 January 2021	IFRS 17 – "Insurance contracts" (not applicable)
1 January 2021	IFRS 9, IFRS 39, IFRS 7, IFRS 4 and IFRS 16

5.2 Standards issued and not yet effective

Standards and amendments issued but not yet effective up to the date of issuance of the Group's condensed consolidated interim financial statements are listed below. The Group does not expect a material impact on the condensed consolidated interim financial statements if the below standards and amendments are applied.

<i><u>Standard / Interpretation</u></i>	<i><u>Description</u></i>	<i><u>Effective from periods beginning on or after the following date</u></i>
IAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
IFRS	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IAS 16	Property, plant and equipment: Proceeds before the intended use	1 January 2022
IFRS 3	Reference to the conceptual framework	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
IAS 1	Classification of Liabilities as Current and Non-Current (Amendments to IAS 1)	1 January 2023
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

6. SEGMENTAL INFORMATION

The Group is mainly engaged in an operating segment that is related to production and selling of cement and clinker.

The Group's business has been divided into geographical business units as follows:

- All the operations of the Group are carried out in the Kingdom of Saudi Arabia.
- Group's operations outside the Kingdom of Saudi Arabia, which mainly represent the Group's operations in Hashemite Kingdom of Jordan, in addition to the Kingdom of Bahrain.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

As at 31 March 2021

6. SEGMENTAL INFORMATION (CONTINUED)

<u>As at 31 March 2021 (unaudited)</u>	<u>Inside Kingdom of Saudi Arabia Saudi Riyal (Thousands)</u>	<u>Outside Kingdom of Saudi Arabia Saudi Riyal (Thousands)</u>	<u>Adjustments Saudi Riyal (Thousands)</u>	<u>Total Saudi Riyal (Thousands)</u>
Total property, plant, equipment and property investments	1,550,202	847,734	(96,768)	2,301,168
Investment at FVOCI	187,880	--	--	187,880
Total non – other current assets	787,660	41,984	(744,408)	85,236
Total current assets	878,558	232,324	154	1,111,036
Total liabilities	417,636	495,097	(296,651)	616,082
<u>As at 31 December 2020 (Audited)</u>	<u>Inside Kingdom of Saudi Arabia Saudi Riyal (Thousands)</u>	<u>Outside Kingdom of Saudi Arabia Saudi Riyal (Thousands)</u>	<u>Adjustments Saudi Riyal (Thousands)</u>	<u>Total Saudi Riyal (Thousands)</u>
Total property, plant, equipment and property investments	1,575,661	856,550	(96,768)	2,335,443
Investment at FVOCI	179,981	--	--	179,981
Total non – other current assets	783,042	52,725	(750,906)	84,861
Total current assets	774,148	251,655	154	1,025,957
Total liabilities	401,058	544,901	(312,623)	633,336

Financial information for revenues and profits related to geographical segments after elimination of the impact of the transactions between the Group's companies for the three months period ended 31 December 2021 and 2020 are as follows:

<u>For the period ended 31 March 2021 (unaudited)</u>	<u>Inside Kingdom of Saudi Arabia Saudi Riyal (Thousands)</u>	<u>Outside Kingdom of Saudi Arabia Saudi Riyal (Thousands)</u>	<u>Adjustments Saudi Riyal (Thousands)</u>	<u>Total Saudi Riyal (Thousands)</u>
Revenue from contracts with customers	247,893	73,609	--	321,502
Period's profits attributable to Company's shareholders	66,957	10,851	(10,851)	66,957
Finance costs	28	5,238	--	5,266
Depreciations and amortisations	24,787	10,507	--	35,294
<u>For the period ended 31 March 2020 (unaudited)</u>	<u>Inside Kingdom of Saudi Arabia Saudi Riyal (Thousands)</u>	<u>Outside Kingdom of Saudi Arabia Saudi Riyal (Thousands)</u>	<u>Adjustments Saudi Riyal (Thousands)</u>	<u>Total Saudi Riyal (Thousands)</u>
Revenue from contracts with customers	159,442	45,156	--	204,598
Period's profits attributable to Company's shareholders	45,112	(9,563)	9,563	45,112
Finance costs	--	7,131	--	7,131
Depreciations and amortisations	24,453	10,502	(1,839)	33,116

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7. PROPERTY, PLANT AND EQUIPMENT

- 1) For the purposes of preparing the condensed consolidated statement of cash flows, the movement in property, plant and equipment during the three-month period ended 31 March is as follows:

	For the three-month period ended 31 March	
	<u>2021</u> (unaudited) Saudi Riyal (Thousands)	<u>2020</u> (unaudited) Saudi Riyal (Thousands)
Depreciation	<u>34,897</u>	<u>32,720</u>
Additions of property, plant and equipment	<u>3,930</u>	<u>5,592</u>

- 2) As at 31 March 2021, the Group's property, plant and equipment includes projects in progress amounting to SR 411 million (31 December 2020: SR 410 million) mainly related to business projects to raise the level of efficiency of production lines, construct cement mills and connection with the power plant, the balance of which is SR 409.4 million as at 31 March 2021. During the period, the Group did not capitalize borrowing costs (31 March 2020: SR 0.3 million and during the year ended 31 December 2020: SR 0.9 million).
- 3) Group's property, plant and equipment are not pledged against standing loans as at 31 March 2021 and 31 December 2020.

8. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

<u>Company Name</u>	<u>County of incorporation</u>	<u>Principal business</u>	<u>Ownership %</u>		<u>31 March 2021</u> (unaudited) Saudi Riyal (Thousands)	<u>31 December 2020</u> (Audited) Saudi Riyal (Thousands)
			<u>2021</u>	<u>2020</u>		
Ready Mix Concrete and Construction Supplies Company	Kingdom of Jordan	Ready concrete production	36,67%	36,67%	15,299	15,515
Cement Products Limited Company	Kingdom of Saudi Arabia	Bags production Cement	33,33%	33,33%	<u>33,003</u> <u>48,302</u>	<u>32,828</u> <u>48,343</u>

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8. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES (continued)

The movement of investments in equity accounted investees during the period / year was as follows:

	31 March 2021 (unaudited) Saudi Riyal (Thousands)	31 December 2020 (Audited) Saudi Riyal (Thousands)
Balance at beginning of period/year	48,343	57,442
Group's share in equity-accounted investees' results for the period/year	(77)	(9,010)
The Group's share in comprehensive income of equity-accounted investees	36	(89)
Balance at end of the period/year	<u>48,302</u>	<u>48,343</u>

9. LEASES

Lease liabilities were presented in the balance sheet as follows:

	31 March 2021 (unaudited) Saudi Riyal (Thousands)	31 December 2020 (Audited) Saudi Riyal (Thousands)
Short-term obligation	965	649
Long term obligation	4,412	4,632
	<u>5,377</u>	<u>5,281</u>

The interest expense resulting from the lease contracts during the period ended 31 March 2021 amounted to SR 96 thousand (31 March 2020: SR 99 thousand).

10. INVENTORIES

Inventories comprise the following:

	31 March 2021 (unaudited) Saudi Riyal (Thousands)	31 December 2020 (Audited) Saudi Riyal (Thousands)
Spare parts	110,257	107,500
Under progress products and finished inventory	303,147	386,963
Raw materials and fuels	46,077	49,102
In-transit inventories	6,894	4,362
	<u>466,375</u>	<u>547,927</u>

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11. TRADE RECEIVABLES

Trade receivables comprise of the following:

	31 March 2021 (unaudited) Saudi Riyal (Thousands)	31 December 2020 (Audited) Saudi Riyal (Thousands)
Trade receivables	189,153	184,742
Trade receivables - related parties (Note 16)	35,108	40,745
	224,261	225,487
Provision for impairment of trade receivables	(3,587)	(3,587)
	220,674	221,900

12. TERM LOANS

- a) During the year ended December 31, 2015, the Company conducted an agreement with SABB bank amounted to SR 400 million to fund the first phase of the expansion and establishment of cement facilities project and electricity station project. The Financing is payable over five years, including a grace period for the first year, on eight equal installments over four years. The Company entered into an interest rate swap contract to hedge the potential interest rate risk on the loan.

During the year ended December 31, 2016, the loan agreement has been amended to reduce the funding with an amount of SR 148.5 million, which is reducing it from SR 400 million to SR 251.5 million. Accordingly, the Company entered into a swap contract with Riyadh Bank for hedging against the initial swap contract on the total loan. The swap contract expired during the period on 1 April 2020.

The agreement includes certain conditions, including maintaining certain financial ratios.

- b) On 20 July 2017, the subsidiary company "Qatrana Cement Company" obtained from the Arab Bank a diminishing loan amounted to JD 100 million.

The installment due for the month of July 2020 has been rescheduled amounting to JD 6.3 million (SR 33.3 million), in addition to the interest of the loan for the period from 1 April till 31 December 2020, amounting to of JD 3.4 million (SR 18 million) and extending the loan repayment tenure for an additional year, so that the last installment will be due on 20 July 2026.

The agreement includes certain conditions, including retaining financial ratios and that the ownership of the Arabian Cement Company, the Parent Company, doesn't directly or indirectly become less than 75% of Qatrana Cement Company's share capital during the loan lifetime. The interest on loan ranged 6,38% to 7,38% (31 December 2020: 7.75%).

A breach of these covenants in the future may lead to renegotiation. The management monitors the covenants on a monthly basis, and in case of the existence of a breach that is expected to occur in the future, the management takes the necessary measures to ensure compliance.

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12. TERM LOANS (continued)

- c) On 28 January 2021, the Group obtained from a local bank a 30-day short-term loan, with an amount of SR 20 million. It was fully paid during the period.

Term borrowings are presented in the condensed consolidated statement of financial position sheet as following:

	31 March 2021 (unaudited) Saudi Riyal (Thousands)	31 December 2020 (Audited) Saudi Riyal (Thousands)
Current portion of term borrowings	22,479	10,578
Non-current portion of term borrowings	287,681	322,722
	310,160	333,300

The financing movement during the period / year is as follows:

	31 March 2021 (unaudited) Saudi Riyal (Thousands)	31 December 2020 (Audited) Saudi Riyal (Thousands)
Balance at beginning of period/year	333,300	419,661
Provided during the period/year	20,000	15,867
Provided during the period/year	(43,140)	(102,228)
	310,160	333,300

13. ACCRUED ZAKAT AND INCOME TAX

Zakat and tax status

ARABIAN CEMENT COMPANY

The Company finalized its zakat status up to the year 2005 and submitted its zakat returns for the years ended December 31, 2006 through 2010 and GAZT has issued zakat assessment for the mentioned years which resulted accrued zakat differences that amount to SR 14.6 million. The Company filed an appeal that was transferred to the Preliminary Objection Committee (POC) for the review and decision.

The Preliminary Objection Committee issued its resolution No. (36) in 1436H regarding the Company's objection on the said years. GAZT has issued an adjusted zakat assessment based on the Preliminary Objection Committee's resolution, which showed a reduction in zakat differences amounts to SR 9.8 million. The Company paid the due zakat differences in accordance to the mentioned committee's resolution amounting to SR 4.8 million. GAZT has also filed an appeal against the mentioned committee's resolution against the Tax Appeals Committee, which is still under consideration by the Committee up to date. The Company's management, supported by its zakat advisor, believes that the Company has a strong opportunity to win the aforementioned appeal.

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13. ACCRUED ZAKAT AND INCOME TAX (continued)

Zakat and tax status (continued)

Arabian Cement Company (continued)

The Company filed its Zakat returns for the years ended 31 December 2011 till 2013. The General Authority of Zakat and Tax (GAZT) did not issue the Zakat assessment for the said years till to date.

GAZT has issued the Zakat assessment for the years ending on 31 December 2014 until 2018, which showed accrued zakat differences of SR 16.4 million. The Company has paid the non-objectible Zakat difference amounting to SR 2.6 million during the year ended 31 December 2020. The Company has objected the zakat assessment, and GAZT issued the amended zakat assessment based on the decision of the Primary Committee, which showed a decrease in the zakat difference by an amount of SR 3.5 million. The Company has escalated the aforementioned objection to the Tax Violation and Dispute Appellate Committee, which is still under consideration by GAZT to date. The Company's management and the zakat advisor believe that its position is strong and that the Company has sufficient provision to cover potential zakat obligations as a result of this assessment.

The Company has submitted the Zakat returns for the years ended December 31, 2014 to 2019 and obtained the unrestricted Zakat certificate for the year 2019.

Qatrana Cement Company (subsidiary) – Jordan

Income tax returns were audited by the Income and Sales Tax Department until the end of 2018. The Company also filed income tax returns to the Department until the end of 2019.

With regard to sales tax, sales tax returns were audited by the Income and Sales Tax Department until the end of 2018. The Company also submitted sales tax returns to the Department for the end of February 2021.

The Income and Sales Tax Department reviewed the income tax for the Company for the year 2014 and issued its initial decisions requesting the Company to pay tax differences resulting from a difference in the interpretation of the decision of the Investment Board exemptions. Accordingly, the objection was submitted to the objection committee in the Income Tax Department. On 21 June 2020, the decision in relation to the objection was issued not to calculate investment promotion exemption on profits for the year 2014. However, the Company submitted its objection against the Department's decisions, and the files were transferred to the court to settle the dispute, and the Company did not calculate an additional provision for income tax as, according to the opinion of the legal advisor that the Company has strong reasons to win this case. The case is currently under review by the court of first instance.

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13. ACCRUED ZAKAT AND INCOME TAX (continued)

Movement on tax assets account:

	As at 31 March 2021 (Unaudited)	As at 31 December 2020 (Audited)
Balance at beginning of period/year	27,070	25,445
Other additions and amendments during the period	813	1,625
	<u>27,883</u>	<u>27,070</u>
Less: Deferred Tax Liabilities	(11,159)	(11,159)
Balance at end of the period/year	<u>16,724</u>	<u>15,911</u>

The differed tax assets for the period ended 31 March 2021 is accounted accordingly with the Income Tax Law No. (34) for the year 2018, which came into effect as of 1 January 2019. According to this law, the legal tax rate on the Company is 17%, in addition to the national contribution rate of 1% (2020: 16% in addition to the national contribution of 1%).

14. EARNINGS PER SHARE

a. Basic earnings per share

The calculation of basic earnings per share has been based the distributable earnings attributable to shareholders of ordinary shares and the weighted average number of ordinary shares outstanding at the date of the financial statements.

	31 March 2021	31 March 2020
Profit for the period (SR in 000's)	66,957	45,112
Number of shares (weighted average - in thousands)	100,000	100,000
Basic earnings per share (SR)	<u>0.67</u>	<u>0.45</u>

b. Diluted earnings per share

The calculation of diluted earnings per share has been based on the profit distributable to shareholders on ordinary shares and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, if any.

During the period, there are no transactions that reduce the earnings per share and therefore the earnings per diluted share is not different from the basic earnings per share.

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15. CONTINGENCIES AND CAPITAL COMMITMENTS

- As at 31 March 2021, the Group has contingencies represented in outstanding letters of guarantee and letters of credit of SR 43,6 million (31 December 2020: SR 48.7 million).
- As at 31 March 2021, the Group has capital commitments related to the upgrading of the production lines and facilities of the Group amounted to SR 1,5 million (31 December 2020: SR 1,3 million) and there are guarantees amounting to SR 39,9 million (31 December 2020: SR 33.3 million) provided to local banks against financial facilities and borrowings for an associate.
- There are cases brought against the Company that have no defined value and are still pending before the judiciary, and the Company's management or its legal advisor cannot reliably anticipate the obligations that may result from them at the present time, and accordingly no provisions have been made against these cases.
- There are lawsuits filed against the subsidiary with a value of JD 0.6 million, equivalent to SR 3 million, as at 31 March 2021 (as at 31 December 2020: JD 0.7, equal to SR 3.8 million) in addition to cases with unspecified value. The subsidiary's Management and its legal consultant believe that the subsidiary has strong reasons against these cases, and there is no need to take any provisions against these cases.

16. RELATED PARTIES' DISCLOSERS

Related parties represent major shareholders, members of the Group's board of directors, key management personnel in the Group, and entities that are managed or over which significant influence is exercised by these parties. The related parties of the Company are as follows:

<u>Description</u>	<u>Nature of relationship</u>
Ready Mix Concrete and Construction Supplies Company	Associate
Cement Products Limited Company	Associate
Group's BOD members	Other related parties
Key management and senior executives	Other related parties

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16. RELATED PARTIES' DISCLOSURES (continued)

- a) The following table summarizes related parties' balances as at 31 December 2021 and 31 December 2020:

		<u>Size of transactions</u>		<u>Closing balance</u>	
		<u>Three-month period ended</u>	<u>For the year ended 31</u>	<u>31 March</u>	<u>31 December</u>
		<u>31 March</u>	<u>December</u>	<u>31 March</u>	<u>31 December</u>
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
		<u>(unaudited)</u>	<u>(Audited)</u>	<u>(unaudited)</u>	<u>(Audited)</u>
		<u>Saudi Riyal</u>	<u>Saudi Riyal</u>	<u>Saudi Riyal</u>	<u>Saudi Riyal</u>
		<u>(Thousands)</u>	<u>(Thousands)</u>	<u>(Thousands)</u>	<u>(Thousands)</u>
<u>Balance due from related parties under trade receivables</u>					
Ready Mix Concrete and Construction Supplies Company - Associate	Sales	12,062	52,415	35,108	40,745
<u>Due balances from related parties under other debit balances</u>					
Ready Mix Concrete and Construction Supplies Company - Associate	Dividends	--	--	175	492
<u>Balance due from related parties under trade payables</u>					
Cement Products Limited Company "Associate"	Purchases	3,143	16,688	134	191

- b) Allowances and remuneration of BOD members and senior executives:

	<u>For the three-month period ended 31 March</u>	
	<u>2021</u>	<u>2020</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>
	<u>Saudi Riyal</u>	<u>Saudi Riyal</u>
	<u>(Thousands)</u>	<u>(Thousands)</u>
Salaries and remunerations of the senior executives of the Company	1,365	1,033
Salaries and allowances Company's key management and Senior Executives in the subsidiary	80	80
Allowances for attending Board of Directors meetings at the Company	99	59
Allowances for attending Board of Directors meetings at the Company the subsidiary	24	27
Board of Directors numerations	450	450

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16. RELATED PARTIES' DISCLOSERS (continued)

Key managers' benefits include basic salaries, remunerations and other benefits under the Group's policy. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

17. DISTRIBUTION PAYABLE

On 1 March 2021, the Company's Board of Directors recommended distributing cash dividends to shareholders for the financial year 2020 with an amount of SR 125 million, which represents SR 1.25 per share, which was approved during the sixty five Extraordinary General Assembly on 11 April 2021.

The movement on accrued dividends during the period/year is as follows:

	31 March 2021 (unaudited) Saudi Riyal (Thousands)	31 December 2020 (Audited) Saudi Riyal (Thousands)
Balance at beginning of period/year	12,366	15.179
Declared during the period / year	--	200.000
Payments during the period / year	<u>(11)</u>	<u>(202.813)</u>
	<u>12,355</u>	<u>12.366</u>

18. IMPORTANT MATTERS

In response to the spread of the Corona pandemic (Covid 19) across the Kingdom and other countries, which caused disturbances in the economic and commercial sectors in general, and accordingly, the Group's management proactively assessed the impact on its operations and took a series of preventive measures, to ensure the health and safety of its employees and workers. Despite these challenges, the Company's business and operations are currently still largely unaffected. The primary demand from customers for the Company's products has not been affected to a large extent, although there is a decrease in demand in certain periods during the year. Based on these factors, the Company's management believes that the Covid-19 pandemic did not have a material impact on the financial results that were reported for the period ending 31 March 2021.

The Group continues to closely monitor the development of the pandemic even though the management at this time is not aware of any expected factors that may change the impact of the pandemic on the Group's operations during or after 2021. The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Group continues to prepare the financial statements on the going concern basis. The Group's management is currently monitoring the situation and the extent of its impact on the Group's operations, cash flows and financial position. The management believes, based on its assessment, that the Company has sufficient liquidity available to continue fulfilling its financial obligations in the foreseeable future as and when they fall due.

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19. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed interim consolidated financial statements were approved by the Board of Directors on 5 May 2021, corresponding to 23 Ramadan 1442H.