

CITY CEMENT COMPANY
A SAUDI JOINT STOCK COMPANY
THE CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

CITY CEMENT COMPANY
A Saudi Joint Stock Company

**INDEX OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER
2021**

Contents	Page
Independent auditor's report	2 – 5
Consolidated statement of financial position	6
Consolidated statement of profit or loss and other comprehensive income	7
Consolidated statement of changes in equity for the year ended	8
Consolidated statement of cash flows	9
Notes to the consolidated financial statements	10 - 38



INDEPENDENT AUDITOR'S REPORT

To The Shareholders of
City Cement Company
A Saudi Joint Stock Company

Riyadh - Kingdom of Saudi Arabia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of City Cement Company - a Saudi Joint Stock Company ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, which include significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization of Chartered and Professional Accountants (SOCPA).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report". We are independent of the group in accordance with professional code of conduct and ethics, as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (continued)

Attendance at physical inventory counting	
Key audit matter	How the matter was addressed during our audit
<p>As described in Note 10, the carrying value of the Company's inventory as at 31 December 2021 amounting to Saudi Riyals 143,215,301.</p> <p>The carrying value includes work in progress inventory - clinker amounting to Saudi Riyals 39,131,301.</p> <p>The company uses procedures to estimate the physical quantity of clinker inventory by estimating the piles of clinker pile available at year end.</p> <p>We considered this to be a key audit matter as the inventory is material balance, in addition to the procedures used by the company to estimate the physical quantity of clinker inventory at the end of the year.</p>	<ul style="list-style-type: none"> - Obtained management's physical inventory counting instructions to understand and assess their instructions and procedures regarding the cut off procedures (details of inventory movement just prior to, during and after the count inventory), and the recording of the actual counts of the company's inventory. - Evaluated the competency, capabilities, and objectivity of the inspection team used by management in counting the clinker inventory. - Attended the physical inventory count conducted by the company to observe the implementation of the management's procedures for counting, the identification of obsolete, damaged items of inventory, in addition to our test counts performed. - Obtained a copy of the final listing of the company's physical inventory, and inspected that it is accurate, complete and reflects the actual inventory counts. - Based on our accumulated audit knowledge and experience, evaluated the appropriateness and reasonableness of the procedures used for estimating the physical quantity of clinker inventory piles, and tested the arithmetical accuracy of the used model. - Reviewed the adequacy of the company's disclosures included in the accompanying financial statements for compliance with accounting standards that are relevant to inventory.

Other information

Other information consists of the information included in the Group's annual report for the year 2021, but does not include the consolidated financial statements and auditor's report thereon. Management is responsible for other information included in its annual report.

Our opinion on the consolidated financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements, in accordance with International Financial Reporting Standards (“IFRSs”) as endorsed in the kingdom of Saudi Arabia, and other standards and pronouncements approved by the Saudi Organization for Chartered and Professional Accountants (SOCPA) and Regulations for Companies and the Company’s Article of Association, and for such internal control as the management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intend to liquidate the group or to cease operations, or has no realistic alternative not to do so.

Those Charged with Governance, in particular the Audit Committee, are responsible for overseeing the group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, relevant preventive measures.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter, or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Dr. Mohamed Al-Amri & Co.

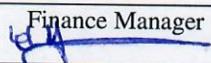

Jamal M. Al-Amri
Certified Public Accountant
Registration No. 331



Date: 7 Sha'ban 1443 (H)
Corresponding to: 10 March 2022 (G)

CITY CEMENT COMPANY
A Saudi Joint Stock Company
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(In Saudi Riyals)

	Notes	Balance As at 31 December	
		2021	2020
Assets			
Non-current assets			
Property, plant and equipment	6	1,382,520,048	1,453,319,431
Right of use assets	7	5,724,421	2,779,941
Investments in equity instruments at fair value through other comprehensive income	8	3,302,371	3,228,575
Intangible assets	9	1,904,245	452,168
Total non-current assets		1,393,451,085	1,459,780,115
Current assets			
Inventory	10	143,215,301	145,146,260
Trade receivables	11	27,955,239	39,769,398
Investments in equity instruments at fair value through profit or loss	12	248,276,792	242,098,817
Prepayments and other receivables	13	17,356,982	11,603,307
Short term time deposit		70,000,000	-
Cash and cash equivalents	14	55,737,832	50,061,188
Total current assets		562,542,146	488,678,970
Total assets		1,955,993,231	1,948,459,085
Equity and Liabilities			
Equity			
Share capital	1-5	1,400,000,000	1,400,000,000
Statutory reserve	15	191,498,719	175,470,692
Other reserves		(2,314,643)	(2,115,616)
Retained earnings		240,938,210	271,685,968
Total equity		1,830,122,286	1,845,041,044
Liabilities			
Non-current liabilities			
Employees' end-of-service benefits	16	19,184,685	17,347,975
Non-current portion of lease liability	17	3,635,108	-
Provision for rehabilitation of areas subject to franchise license	18	6,707,401	6,449,424
Total non-current liabilities		29,527,194	23,797,399
Current liabilities			
Trade payables		23,581,318	16,744,015
Current portion of lease liability	17	1,531,897	2,413,041
Accrual and other payables	19	58,304,939	50,752,165
Provision for zakat	20	12,925,597	9,711,421
Total current liabilities		96,343,751	79,620,642
Total liabilities		125,870,945	103,418,041
Total equity and liabilities		1,955,993,231	1,948,459,085

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

The accompanying notes from (1) to (34) form an integral part of these consolidated financial statements

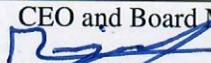
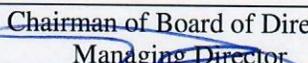
CITY CEMENT COMPANY

A Saudi Joint Stock Company

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

(In Saudi Riyals)

	Notes	For the year ended 31 December	
		2021	2020
Sales	21	496,731,659	572,729,687
Cost of sales		(288,859,154)	(315,769,453)
Gross profit		207,872,505	256,960,234
Selling and marketing expenses	22	(8,926,477)	(8,740,189)
General and administrative expenses	23	(24,583,449)	(28,172,979)
Operating profit		174,362,579	220,047,066
Gains on changes in fair value investments in equity instruments	12	2,930,186	5,057,987
Other (Expenses) / income	24	(3,637,067)	6,274,015
Finance cost	25	(912,631)	(934,530)
Allowance for expected credit losses	11	(240,000)	(240,000)
Profit for the year before zakat		172,503,067	230,204,538
Zakat expense	20	(12,222,798)	(9,711,421)
Profit for the year		160,280,269	220,493,117
Items of other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gains on changes in fair value of investment in equity instruments	8	73,796	276,735
Actuarial losses on re-measurement of end of service benefits	16	(272,823)	(975,337)
Total comprehensive income for the year		160,081,242	219,794,515
Earnings per share			
Basic and diluted earnings per share of Profit for the year	26	1.14	1.22

Finance Manager  Edrees 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
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The accompanying notes from (1) to (34) form an integral part of these consolidated financial statement

CITY CEMENT COMPANY
A Saudi Joint Stock Company

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**
(In Saudi Riyals)

	Share capital	Statutory reserve	Other reserves	Retained earnings	Total equity
For the year ended 31 December 2021					
Balance as at 1 January 2021	1,400,000,000	175,470,692	(2,115,616)	271,685,968	1,845,041,044
Profit for the year	-	-	-	160,280,269	160,280,269
Items of other comprehensive income	-	-	(199,027)	-	(199,027)
Total comprehensive income	-	-	(199,027)	160,280,269	160,081,242
Transfer to statutory reserve	-	16,028,027	-	(16,028,027)	-
Dividends (Note 27)	-	-	-	(175,000,000)	(175,000,000)
Balance as at 31 December 2021	1,400,000,000	191,498,719	(2,314,643)	240,938,210	1,830,122,286
For the year ended 31 December 2020					
Balance as at 1 January 2020 (Restated)	1,892,000,000	153,421,380	(1,417,014)	213,242,163	2,257,246,529
Profit for the year	-	-	-	220,493,117	220,493,117
Other comprehensive income	-	-	(698,602)	-	(698,602)
Total comprehensive income	-	-	(698,602)	220,493,117	219,794,515
Reducing share capital by distribution to shareholders (Note 1.3)	(492,000,000)	-	-	-	(492,000,000)
Transfer to statutory reserve	-	22,049,312	-	(22,049,312)	-
Dividends (Note 27)	-	-	-	(140,000,000)	(140,000,000)
Balance as at 31 December 2020	1,400,000,000	175,470,692	(2,115,616)	271,685,968	1,845,041,044


Finance Manager

Edrees Abo Alqasem


CEO and Board Member

Majed Bin Abdulrahman Al-Osailan

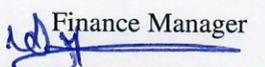

Vice Chairman of Board of Directors and Managing Director

Bader Bin Omar Al-Abdullatif

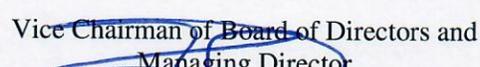
The accompanying notes from (1) to (34) form an integral part of these consolidated financial statements.

CITY CEMENT COMPANY
A Saudi Joint Stock Company
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(In Saudi Riyals)

	<u>Notes</u>	For the year ended 31 December	
		2021	2020
<u>Operating activities</u>			
Profit for the year before zakat		172,503,067	230,204,538
<u>Adjustments:</u>			
Depreciation	9,7,6	82,572,787	81,566,858
Gains on changes in fair value of investment in equity instruments	12	(2,930,186)	(5,057,987)
Allowance for expected credit losses	11	240,000	240,000
Allowance for obsolescence inventory	10	2,000,000	2,000,000
Employees' end-of-service benefits	16	2,239,961	2,267,493
Finance cost	25	912,631	934,530
Gain on sale property, plant and equipment		(17,500)	-
<u>Changes in:</u>			
Inventories		(69,041)	65,769,895
Trade receivables		11,574,159	(234,455)
Prepayments and other receivables		(5,753,675)	2,917,776
Trade payables		6,837,303	1,619,348
Accrual and other payables		7,552,774	11,798,822
Cash from operation		277,662,280	394,026,818
Zakat paid		(9,008,622)	(11,656,243)
Employees' end-of-service benefits paid		(1,138,767)	(442,882)
Net cash flows generated from operating activities		267,514,891	381,927,693
<u>Investing activities</u>			
Purchase of investment in equity instruments at FVTPL	12	(410,200,000)	(580,800,000)
Proceeds from the Sale of investment in equity instruments at FVTPL	12	406,952,211	829,600,000
Purchase of short term time deposit		(70,000,000)	-
Purchase of property, plant and equipment and Capital work in progress	6	(8,909,609)	(14,245,974)
Purchase of intangible assets	9	(1,509,753)	-
Proceeds from the disposal of Property, Plant and Equipment		17,500	-
Net cash flows generated from / (used in) investing activities		(83,649,651)	234,554,026
<u>Financing activities</u>			
Repayments of capital reduction		-	(492,000,000)
Dividends paid	27	(175,000,000)	(140,000,000)
Repayments of lease liability		(3,188,596)	(2,876,315)
Net cash flows used in financing activities		(178,188,596)	(634,876,315)
Net change in cash and cash equivalents		5,676,644	(18,394,596)
Cash and cash equivalents at the beginning of the year		50,061,188	68,455,784
Cash and cash equivalents at the end of the year	14	55,737,832	50,061,188
<u>Non-cash transactions from investing activities</u>			
Transfers from work in progress to property, plant and equipment		4,518,555	1,516,429


Finance Manager
Edrees 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 (34) form an integral part of these consolidated financial statements.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals unless otherwise stated)

1- OVERVIEW ABOUT THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS ACTIVITIES

1.1 Establishment of the Company

City Cement Company (“the Company”), is a Saudi joint stock company, established under Ministerial Resolution No. 804 and dated 12/5/1426 (corresponding to: 18/6/2005) and registered in Riyadh under Commercial Register No. 1010210441 dated 14/5/1426 (corresponding to: 20/6/2005) and Industrial License No. 1163/ dated 3/6/1426 (corresponding to:9/7/2005) and renewed with No. 590 dated 10/2/1438 (corresponding to:10/11/2016). The Company operates under a material quarry license according to the mining regulations issued by Royal Decree No. 216 dated 28/7/1425 (corresponding to: 12/9/2004) and its duration is thirty Hijra years 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 obtained the following branches commercial registration:

<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 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 Company – (The subsidiary)

On 27/7/1442 H (corresponding to 10/3/2021), the company’s board of directors approved the establishment of a 100% owned one-person limited liability company, headquartered in Riyadh, with a capital of 500,000 Saudi riyals, after obtaining the necessary approvals and licenses from the relevant authorities.

During the year 2021, the company announced the completion of the issuance of the articles of incorporation and commercial registration for its subsidiary company under Commercial Registration No. 1010664201.

The company's articles of incorporation were issued on 27 Shawwal 1442 H (corresponding to 8 June 2021).

The nature of the company's activity is as follows:

Collecting materials for recycling, transporting municipal waste, operating municipal waste dumping sites for disposal purposes, treating organic waste for the purpose of disposal, recycling and reusing municipal waste.

The financial year of the company is twelve months from the beginning of January until the end of December of each year.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals unless otherwise stated)

1.2 COVID – 19 UPDATES

In response to the spread of the Covid-19 in GCC and other territories 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 year ended 31 December 2021, including significant accounting judgments and estimates.

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 continually 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 reductions 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.

1.3 The nature of the Company's activity

The Company's activity is 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.

1.4 Company Capital

City Cement Company is a public joint stock company listed on the Saudi capital market. Its share capital was SAR 1,892,000,000 divided into 189,200,000 shares with a nominal value of 10 Saudi Riyals of each. In accordance with the decision of the Extraordinary General Assembly on 25 August 2020, the capital was reduced by Saudi Riyals 492,000,000 by distributing the amount in cash to the shareholders.

The Company's Article of Association has been amended on 2 Jumada II 1442 corresponding to 18 January 2021, and the Company's share capital has become Saudi Riyals 1,400,000,000 divided into 140 million shares of equal value with a nominal value Saudi Riyal 10 of each, all of the Company's shares are cash and ordinary shares, and the procedures for accreditation in the commercial register were completed on Jumada II 18, 1442, corresponding to 31 January 2021, and therefore the share capital has been amended in the Consolidated Financial Statements.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION

2.1 Statement of Commitment

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement that are issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (hereinafter referred to as the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia).

2.2 Preparing financial statements

The consolidated financial statements are prepared on a historical cost basis, except for the following significant items included in the statement of consolidated financial position:

- The investments in equity instruments that are measured at fair value through other comprehensive income, which are measured at fair value.
- The investments in equity instruments that are measured at fair value through profit or loss, which are measured at fair value.
- End of service benefits for employees using the expected unit credit method.
- Provision for the rehabilitation of areas subject to a concession license which is measured at present value.

These Consolidated financial statements are presented in Saudi Riyals (“SAR”), which is the functional and presentation currency of the Group.

3. BASIS OF CONSOLIDATION OF FINANCIAL STATEMENT

The consolidated financial statements include the financial statements of the Company and its subsidiary (together referred to as the “Group”) located in the Kingdom of Saudi Arabia as on December 31, 2021.

Subsidiary Company Name	Legal Entity	Ownership as of December 31, 2021
Green Solutions for Environmental Services Company	One Person 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 the exercise of its power over the investee. In particular, the Group controls an investee only when it has:

- Has power over the investee (having rights to give the Group the ability to direct the activities related to the investee company).
- Is exposed to risk, or has rights to variable returns from its involvement with the investee and
- Has 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.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals unless otherwise stated)

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 (OCI) 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 in 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 New standards, amendments to standards, and interpretation

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021.

Amendment to IFRS 7 and IFRS 16 interest rate benchmark reform – Phase2

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

Amendments to IFRS 16, 'Leases' – COVID – 19 related rent concessions

As result of the coronavirus (COVID – 19) pandemic, rent concessions have been granted to leases. In May 2020, the International Accounting Standards Boards ("IASB") published an amendment to COVID – 19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Leases can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payment in the period(s) in which the event or condition that triggers the reduce payment occurs.

The adoption of above amendments does not have any material impact on the Consolidated Financial Statements during the year.

4.2 Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted them in preparing these Consolidated Financial Statements, the Company is studying the effect of these standards and expecting no material impact on the consolidated Financial Statement.

Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals unless otherwise stated)

Amendments to IFRS 3, IAS 16, IAS 37

- IAS 16 “Property, Plant and Equipment” prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognize such sales proceeds and related cost in profit or loss.
- IAS 37 “Provisions, Contingent Liabilities, and Contingent Assets” specify which costs an entity includes when assessing whether a contract will be loss-making.

Amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

4.3 Financial instruments

The Group initially recognises financial instruments on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following financial assets:

Financial Assets at Amortised Cost

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (“SPPI”) are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the consolidated statement of profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method through consolidated statement of profit or loss.

Financial assets at fair value through other comprehensive income

The debt instrument is measured at fair value by other comprehensive income only if it meets the following conditions and is not recognized at fair value through consolidated statement of profit and loss:

- The asset is held in a business model that is designed to hold assets to collect contractual cash flows and sell the financial assets.
- The contractual terms of the financial asset lead on specific dates to cash flows that are only the payments from the principal amount and interest on the principal amount due.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals unless otherwise stated)

Debt instruments measured at fair value through other comprehensive income are subsequently measured at fair value while recognizing the profits and losses resulting from changes in fair value in other comprehensive income. Financing income, foreign exchange gains and losses are carried at the consolidated statement of profit or loss.

Equity instruments: On initial recognition, to invest in non-traded shares, the Group may apply an irrevocable option to make subsequent changes in fair value in other comprehensive income. The presented amounts in other comprehensive income are not subsequently transferred to the consolidated statement of profit or loss.

Financial assets at fair value through changes in the consolidated profit and loss statement

All other financial assets are classified as measured at fair value through the consolidated statement of profit or loss (for example: shares held for trading and debt securities that are not classified based on amortized cost or at fair value through other comprehensive income).

Impairment of financial assets

For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome.

Financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial liabilities of the Group comprise of lease liability, Trade Payables and Accruals and other payables.

Amortized cost for financial asset or liability

The amortized cost of a financial asset or a financial liability is the amount at which the financial asset or financial liability is measured at initial recognition less prepayments of the principal amount, plus or less the cumulative amortization using the effective interest method of any difference between that initial amount and the amount at the accrual date.

4.4 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of returns, trade discounts and volume rebates. The Group recognizes revenue when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods.

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The related liability (included in Trade Payables and Accruals and other payables) is recognised for expected volume discounts payable to customers in relation to sales made during the year.

No element of financing component is deemed present as the sales are made either on cash or on credit term consistent with market practice.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals unless otherwise stated)

4.5 Property, plant and equipment

Property, Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost comprises of expenditure that is directly attributable to the acquisition of the asset. Cost includes the reclassifications from equity of any gains or losses on qualifying cash flow hedges relating to purchases of Property, Plant and Equipment. Cost includes expenditures that are directly attributable to the acquisition / growing of the plant till its maturity. Any gain or loss on disposal of an item of Property, Plant and Equipment is recognised in the statement of profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably.

The Group has strategic and reserve spare parts that must be available for the production lines at its plant, and are classified under property and equipment, and subject to depreciation over the useful life of the asset associated with those spare parts.

The useful life of property, plant and equipment are reviewed at the end of each year. If the estimated useful life is different from previously estimated, the carrying amount of the asset is depreciated over the remaining useful life after reassessment of the year in which the revision was made.

The cost less estimated residual value is depreciated on a straight-line basis over the following estimated useful lives of the assets by using the following annual depreciation rates:

Machinery and Equipment	4 %
Buildings and roads	3 – 10 %
Mobile equipment	6.67 %
Vehicles	20 %
Furniture and fixtures	15 %

Land and capital work in progress are not depreciated.

Capital work in progress at year end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

The assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

If significant parts of an item of property, plant and equipment have different useful lives then they are accounted for as separate items of property, plant and equipment

4.6 Leases

The Group assesses whether a contract is a lease or contains a lease. The contract is a lease or contains a lease if it gives the right of use a specific asset for a period of time in exchange for a compensation.

Right-of-use assets and lease liabilities

Assets and liabilities arising from a lease are initially measured on a present value basis.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals unless otherwise stated)

4.8 Impairment of non-financial assets

Non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss or reversal of impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of consolidated profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

4.9 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost comprises all direct manufacturing expenditure based on the normal level of activity and transportation and handling costs. Net realisable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Allowance is made, where necessary for slow moving inventories. Cost of inventories is recognised as an expense and included in cost of sales.

Spares are valued at lower of cost or net realizable value. Cost is determined on the weighted average cost basis. An allowance for obsolete and slow-moving items, if any, is estimated at each reporting date.

4.10 Cash and cash equivalents

For the purpose of statement of financial position, cash and bank balances include bank balances, cheques in hand and deposits with original maturities of three months or less, if any.

4.11 Zakat provision

Zakat is provided for in accordance with Zakat, Tax and Customs Authority (“ZATCA”) regulations. Adjustments arising from final zakat assessments are recorded in the period in which such assessments are made.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals unless otherwise stated)

4.12 Employee Retirement benefits

Employee Retirement benefits are payable to all employees employed under the terms and conditions of the Labour Laws applicable on the Group, on termination of their employment contracts.

The Group's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value.

The Group sets the assumptions used in determining the key elements of the costs of meeting such future obligations. These assumptions are set after consultation with the Group's actuaries and include those used to determine regular service costs and the financing elements related to the liabilities. The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method.

Re-measurement of defined benefit liability, which comprise of actuarial gains and losses are recognised immediately in the consolidated statement of other comprehensive income. The Group determines interest expense on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, considering any change in the net defined benefit obligation during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit are recognised in the consolidated statement of profit or loss.

4.13 Provisions

A provision is recognised if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

4.14 Statutory reserve

In accordance with Company's by-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Group is required to recognise a reserve comprising of 10% of its profit for the year. This reserve is currently not distributable to the Shareholders.

4.15 Earnings per share

Basic and diluted earnings per share (if any) are presented for ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, adjusted by the number of ordinary shares repurchased or issued during the period. The diluted earnings per share are adjusted by adjusting the profit or loss attributable to ordinary equity holders of the Group and the weighted average number of shares outstanding during the year with the effect of all potential dilutive ordinary shares.

4.16 Segmental reporting

Operating segment is a component of the Group that engages in business activities from which it earns revenue and incurs costs including income and expenses related to transactions with any other elements of the Group.

4.17 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industrial Group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals unless otherwise stated)

When measuring the fair value, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4.18 Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Saudi Riyals at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement consolidated profit or loss.

4.19 Dividends

Dividends is recognized in the consolidated financial statements when it is approved by the General Assembly of shareholders for annual distributions.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with International Financial Reporting Standards requires management to use judgments, estimates and assumptions that affect the amounts of income, expenses, assets and liabilities appearing in the consolidated financial statements, the accompanying notes attached to the consolidated financial statements, and the disclosure of contingent assets and liabilities. However, the uncertainty involved in these assumptions and estimates may lead to significant adjustments to the carrying amount of assets or liabilities that may be affected in future periods.

In the context of applying the Group's accounting policies, management has made judgments that have a material impact on the amounts recognized in the consolidated financial statements. In addition to the main assumptions that have been considered when assessing the impact of future conditions on the figures appearing in the consolidated financial statements and the related disclosures at the date of preparing the consolidated financial statements, which have substantial risks associated with them that may cause significant adjustments to the carrying values of assets and liabilities during the next financial year. The Group relied in its estimates and assumptions on the existing conditions and available information when preparing the consolidated financial statements. However, existing circumstances and assumptions about foreseeable developments may change as a result of market changes and circumstances beyond the control of the Group. These changes are reflected in the assumptions as they occur.

A) Estimated useful life of property, plant and equipment

The cost of property, plant and equipment depreciated over the estimated useful life of the asset based on the expected use and obsolescence of the asset, the maintenance and repair program, technical obsolescence and the recoverable value considerations of the asset. Management reviews the residual value of property, plant and equipment and useful lives annually and change in depreciation charges where the management believe that the useful life differs than the past estimates.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals unless otherwise stated)

B) Strategic and reserve spare parts

The Group maintains strategic and reserve spare parts inventory for two production lines in its plant, which the management aims to maintain for longer periods (i.e. more than one year). The management believes that all spare parts will be provided with future economic benefits from the future use of all property, plant and equipment. The management reviews spare parts that are in reserve equipment, which should be available as needed and depreciated with the estimated useful life of the associated asset.

C) Actuarial valuation of employees' end of service benefits liabilities

The employees' end-of-service benefits liability is determined according to a defined unfunded benefit plan and measured using actuarial evaluation. Actuarial evaluation includes many assumptions that may differ from the actual future developments. These assumptions include the determination of the discount rate and future salary increases and turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit liability is highly sensitive to changes in these assumptions. Thus, all assumptions are reviewed once a year or more often, as deemed necessary.

D) Provision for rehabilitation of areas subject to franchise license

The provision for rehabilitation of areas subject to franchise license is recognised at the present value of the expected cost of rehabilitation of the site and the Company's factory land. The current value of the provision estimated at the expected present value of the end of the life of the plant, and the Company relied on the renewal of the current quarry license after its expiry at the initial measurement of the current value of the provision.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts in Saudi Riyals unless otherwise stated)

6. PROPERTY, PLANT, AND EQUIPMENT

	<u>Lands</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 2020	3,600,000	1,575,664,593	612,579,029	126,235,632	12,160,409	16,474,141	2,236,500	2,348,950,304
Additions during the year	-	7,826,136	-	70,044	642,801	235,534	5,471,459	14,245,974
Transferred from Capital work in progress	-	309,225	-	1,207,204	-	-	(1,516,429)	-
Balance as at 31 December 2020 (Restated)	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 during the year	-	3,280,392	-	26,058	206,227	368,696	5,028,236	8,909,609
Transferred from Capital work in progress	-	3,555,156	-	963,399	-	-	(4,518,555)	-
Disposals	-	-	-	-	(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
Accumulated depreciation:								
Balance as at 1 January 2020	-	554,515,432	178,878,237	72,789,894	11,372,561	13,495,799	-	831,051,923
Depreciation during the year	-	54,273,878	17,875,894	4,788,142	677,667	1,209,343	-	78,824,924
Balance as at 31 December 2020 (Restated)	-	608,789,310	196,754,131	77,578,036	12,050,228	14,705,142	-	909,876,847
Depreciation during the year	-	55,610,227	17,767,354	4,984,406	297,866	1,049,139	-	79,708,992
Disposals	-	-	-	-	(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
Net book value:								
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
As at 31 December 2020 (Restated)	3,600,000	975,010,644	415,824,898	49,934,844	752,982	2,004,533	6,191,530	1,453,319,431

- 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts in Saudi Riyals unless otherwise stated)

7. 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
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	(4,577,291)	(1,723,428)	(6,300,719)
Balance as at 31 December 2021	823,320	575,059	1,398,379
Net book value:			
As at 31 December 2021	548,881	5,175,540	5,724,421
As at 31 December 2020	2,349,084	430,857	2,779,941

⁽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 Buraidah city in 2021 and the contract was not renewed, Also the lease contract for the Company's administrative headquarters expired during 2021 and a new contract was signed for five years.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals unless otherwise stated)

8. INVESTMENTS IN EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OCI

	Shares	As at 31 December	
		2021	2020
Saudi Arabian Oil Company (Aramco) a Saudi joint stock company	92,245	3,228,575	2,951,840
Gains on change in fair value		73,796	276,735
Total investment in shares		3,302,371	3,228,575

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

Saudi Arabian Oil Company (Aramco) - A Saudi Joint Stock Company announced the distribution of cash dividends during 2021 resulting in dividends amounting to SAR 129,807, which are included in other (Expenses) / Revenues (Note 24).

9. INTANGIBLE ASSETS:

	Software	⁽¹⁾ Software under progress	Total
Cost:			
Balance as at 1 January 2021 (Restated)	1,258,328	325,476	1,583,804
Additions	43,968	1,465,785	1,509,753
Balance as at 31 December 2021	1,302,296	1,791,261	3,093,557
Accumulated depreciation:			
Balance as at 1 January 2021 (Restated)	1,131,636	-	1,131,636
Depreciation	57,676	-	57,676
Balance as at 31 December 2021	1,189,312	-	1,189,312
Net book value:			
As at 31 December 2021	112,984	1,791,261	1,904,245
As at 31 December 2020 (Restated)	126,692	325,476	452,168

⁽¹⁾ Software under progress is the creation of an enterprise resource planning program.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts in Saudi Riyals unless otherwise stated)

10. INVENTORY

	As at 31 December	
	2021	2020
Work in progress – Clinker	39,131,301	55,250,346
Finished goods	6,258,964	5,749,234
Raw materials	22,726,845	17,782,703
Spare parts	80,098,191	69,363,977
	148,215,301	148,146,260
Less: Allowance for obsolescence inventory	(5,000,000)	(3,000,000)
	143,215,301	145,146,260

The movement of impairment in inventory is as follow:

	As at December 31,	
	2021	2020
Balance at the beginning of the year	3,000,000	1,000,000
Charged during the year	2,000,000	2,000,000
Balance at the end of the year	5,000,000	3,000,000

11. TRADE RECEIVABLES

	As at 31 December	
	2021	2020
Trade receivables	29,686,343	41,260,502
Allowance for Expected credit losses	(1,731,104)	(1,491,104)
	27,955,239	39,769,398

The movement of the expected credit losses allowance is as follow:

	As at 31 December	
	2021	2020
Balance at the beginning of the year	1,491,104	1,251,104
Charged during the year	240,000	240,000
Balance at the end of the year	1,731,104	1,491,104

The trade receivables are fully covered by bank guarantees amounted SAR 16,600,000, and promissory notes amounted to SAR 29,460,000.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts in Saudi Riyals unless otherwise stated)

12. INVESTMENTS IN EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	<u>2021</u>	<u>2020</u>
Balance at the beginning of the year	242,098,817	485,840,830
Purchases during the year	410,200,000	580,800,000
Sales during the year	(406,952,211)	(829,600,000)
Gains on change in fair value	2,930,186	5,057,987
Balance at the end of the year	<u>248,276,792</u>	<u>242,098,817</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.

13. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	<u>2021</u>	<u>2020</u>
Advances to suppliers	8,995,963	6,549,081
Prepaid expenses	6,408,236	3,109,280
Refundable insurance	962,026	853,714
Others	990,757	1,091,232
	<u>17,356,982</u>	<u>11,603,307</u>

14. CASH AND CASH EQUIVALENTS

	As at 31 December	
	<u>2021</u>	<u>2020</u>
Cash at bank – current accounts- Saudi Riyals	48,076,022	45,828,216
Cash at bank – current accounts- foreign currency	7,518,284	4,137,725
Cash in hand	143,526	95,247
	<u>55,737,832</u>	<u>50,061,188</u>

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals unless otherwise stated)

15. STATUTORY RESERVE

In accordance with the Companies Law and the Company's Articles of Association (Article 129), the Board of Director shall transfer 10% from the profit of each year end to the statutory reserve, and the ordinary general assembly meeting of the Company could decide to cease such transfer when it reaches 30% from the share capital. This reserve is not available for dividends.

	As at 31 December	
	2021	2020
Balance at the beginning of the year	175,470,692	153,421,380
Addition during the year	16,028,027	22,049,312
Balance at the end of the year	191,498,719	175,470,692

16. EMPLOYEES' END-OF-SERVICE BENEFITS

The Group's policy stated that the end-of-service benefit is due to all employees who complete the qualifying period of service under the Saudi Labour Law.

The annual employee's end of service liability is based on actuarial evaluation, and the most recent actuarial evaluation was conducted by an appointed independent expert by the Group's management, using the actuarial methodology of the expected credit unit as at 31 December 2021.

	As at 31 December	
	2021	2020
Balance at 1 January	17,347,975	14,069,654
<i>Included in the consolidated profit or loss statement</i>		
Current service cost	2,239,961	2,267,493
Interest cost (Note 25)	462,693	478,373
<i>Included in consolidated other comprehensive income</i>		
Actuarial losses	272,823	975,337
Paid	(1,138,767)	(442,882)
	19,184,685	17,347,975

CITY CEMENT COMPANY

A Saudi Joint Stock Company

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts in Saudi Riyals unless otherwise stated)

Actuarial assumptions

During the year, actuarial assumptions were conducted under the expected credit unit method using the following important assumptions:

	As at 31 December	
	2021	2020
Financial assumption	%-Year	%-Year
Discount rate	2.9%	2.75%
Salary increases	3%	3%
Demographic assumptions:		
Withdrawal rates	From 5 to 20	From 5 to 20
Retirement age	60 Years	60 Years

Sensitivity in defined benefit obligation

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the employee retirement benefits are to material actuarial assumptions, the same method (present value of the employee retirement benefits calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the employee retirement benefits recognised in the consolidated statement of financial position as described below:

	Reasonable potential changes	EMOLOYEEES' END OF SERVICE BENIFITS LIABILITY	
		Increase	Decrease
Discount rate	(- / +) (1%)	(1,562,022)	2,242,247
Salary increase	(- / +) (1%)	2,216,360	(1,897,246)
Withdrawal rates	(- / +) (20%)	(265,387)	268,308
Mortality rate	(- / +) (20%)	(3,670)	3,677

CITY CEMENT COMPANY

A Saudi Joint Stock Company

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts in Saudi Riyals unless otherwise stated)

17. LEASE LIABILITY

	As at 31 December	
	2021	2020
Non-current portion of lease liability	3,635,108	-
Current portion of lease liability	1,531,897	2,413,041
	5,167,005	2,413,041

The amount of interest expense related to the lease liability for the year ended 31 December 2021 amounted to Saudi Riyals 191,961 (31 December 2020: Saudi Riyals 208,101), (Note 25).

18. PROVISION FOR REHABILITATION OF AREAS THAT SUBJECT TO FRANCHISE LICENSE

The provision movement is as follow:

	As at 31 December	
	2021	2020
Balance at the beginning of the year	6,449,424	6,201,368
Effective interest (Note 25)	257,977	248,056
Balance at the end of the year	6,707,401	6,449,424

19. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2021	2020
Accrued expenses	20,982,274	14,206,204
Accrued quarry fees	23,058,540	19,030,595
Accrual for governmental authorities	257,433	270,248
Provision for vacation and travel tickets	2,535,587	2,608,243
Board and committee members' bonuses (Note 31)	1,400,000	1,400,000
Advances from costumers	6,524,003	5,764,131
Retention held from subcontractors	250,824	277,147
Value add tax (VAT)	2,922,765	6,955,628
Others	373,513	239,969
	58,304,939	50,752,165

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals unless otherwise stated)

20. PROVISION FOR ZAKAT

A) The main elements of Zakat base are as follows:

	As at 31 December	
	2021	2020
Profit for the year before zakat	177,863,332	237,146,893
Non-current assets	(1,387,726,664)	(1,494,433,942)
Non-current liabilities	19,184,685	17,000,000
Equity	1,672,156,660	1,624,251,802
Allowance for the expected credit losses	1,731,104	1,492,104
Provision for zakat	702,799	-
Impairment in inventory	5,000,000	3,000,000
Zakat base	488,911,916	388,456,857
Zakat rate 2.5%	12,222,798	9,711,421

B) The movement in Zakat provision is as follows:

	As at 31 December	
	2021	2020
Balance at the beginning of the year	9,711,421	11,656,243
Paid during the year	(9,008,622)	(11,656,243)
Charged during the year	12,222,798	9,711,421
Balance at the end of the year	12,925,597	9,711,421

C) Zakat assessment position:

The Company submitted its zakat returns and paid the zakat payments due on it and obtained the zakat certificate for the year 2021.

The Company also received final assessments for the years from 2006 to 2018, and during 2021 the Company received zakat assessments from the Zakat, Tax and Customs Authority for the years 2019 and 2020. These assessments showed zakat differences of 243,266 Saudi riyals and 226,732 Saudi riyals, respectively. The Company appealed to these assessments, noting that the appeal is now with the General Secretariat of the Tax Committees.

CITY CEMENT COMPANY

A Saudi Joint Stock Company

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts in Saudi Riyals unless otherwise stated)

21. SALES

	For the year ended 31 December	
	2021	2020
Ordinary Portland cement	442,459,545	520,207,070
Sulphate resistant cement	54,272,114	52,522,617
	496,731,659	572,729,687

22. SELLING AND MARKETING EXPENSES

	For the year ended 31 December	
	2021	2020
Salaries, wages and employee's benefits	3,713,777	3,817,819
Transportation expenses	3,406,411	3,095,827
Advertising and promotion	2,680	762,092
Depreciation	139,804	150,832
Sales department expenses	85,750	65,006
Others	1,578,055	848,613
	8,926,477	8,740,189

CITY CEMENT COMPANY

A Saudi Joint Stock Company

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts in Saudi Riyals unless otherwise stated)

23. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2021	2020
Salaries, wages and employee's benefits	17,839,212	19,852,455
Governmental fees	1,072,380	1,638,233
Donations	644,481	1,614,824
Depreciation	1,539,066	1,582,489
Board of directors' remuneration (Note 31)	1,400,000	1,400,000
Professional and consulting fees	689,926	798,145
Board of directors' attendance allowance (Note 31)	410,800	234,400
Bank charges	235,592	187,082
Subscriptions and fees	183,189	180,348
Repair and maintenance	108,530	139,593
Services	120,262	114,828
Withholding tax	14,387	41,791
Others	325,624	388,791
	24,583,449	28,172,979

24. OTHER (EXPENSES) / INCOME

	For the year ended 31 December	
	2021	2020
Revenue from environmental services	5,662,373	4,013,668
Income from bank deposits	349,903	1,951,488
(Loss) / gain on foreign currency translation differences	(259,280)	204,696
Dividends on investments at fair value through OCI	129,807	104,163
Others	(9,519,870)	-
	(3,637,067)	6,274,015

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals unless otherwise stated)

25. FINANCE COST

	For the year ended 31 December	
	2021	2020
Interest cost on employees end of service liability	462,693	478,373
Interest cost on lease liability	191,961	208,101
Interest cost of provision for rehabilitation of areas subject to franchise license	257,977	248,056
	912,631	934,530

26. EARNINGS PER SHARE

Basic earnings per share was calculated by dividing the year's net profit by the weighted average number of shares during the year as follows:

	For the year ended 31 December	
	2021	2020
Net profit for the year	160,280,269	220,493,117
	Share	Share
Weighted average number of shares	140,000,000	180,193,443
	SAR / Share	SAR / Share
Basic and diluted earnings per share from the net profit of the year	1,44	1,22

27. DIVIDENDS

- 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.
- On 11 August 2021 and based on a mandate from the Ordinary General Assembly, the Board of Directors decided to distribute cash dividends to shareholders for the first half of 2021 at 0.75 Saudi riyals per share, at a value of 105,000,000 Saudi riyals, at a rate of 7.5% of the Group's capital.
- The shareholders approved in the Ordinary General Assembly meeting on 29/6/2020 on the distribution of cash dividends, and accordingly the Company's Board of Directors recommended the distribution of cash dividends on November 5, 2020, amounting to 140,000,000 Saudi riyals (1 Saudi riyal per share).

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals unless otherwise stated)

28. FINANCIAL FACILITIES

The Company has available financial facilities from local banks amounted to Saudi Riyals 90.6 million guaranteed by promissory note, the Company has not used until the date of the consolidated financial statements, except for what was mentioned in Note 29, and there are no obligations as a result of not using these facilities.

29. CONTINGENT LIABILITIES

The contingent liabilities against letters of credit amounted to SAR 3,970,149 for the purchase of raw materials as at 31 December 2021.

The contingent liabilities against letters of guarantee amounted to SAR 12,304,633 as at 31 December 2021.

30. SEGMENT REPORTING

	For the year ended at 31 December 2021		For the year ended at 31 December 2020	
	Cement sales (Note: 21)	Revenue from environmental services (Note: 24)	Cement sales (Note: 21)	Revenue from environmental services (Note: 24)
Kingdom of Saudi Arabia	496,731,659	5,662,373	572,729,687	4,013,668
Total	<u>496,731,659</u>	<u>5,662,373</u>	<u>572,729,687</u>	<u>4,013,668</u>

31. 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 the board of directors.

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 year ended at 31 December	
		2021	2020
Members of Board of the directors and Key Management Personnel	Salaries, wages, and equivalent and board remuneration and attendance allowances	9,543,630	8,323,187

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals unless otherwise stated)

32. 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 Group's consolidated statement of 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 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 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 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. The Company's management believes that exposure to currency risk on financial instruments is limited. The quantitative data regarding the Group's exposure to currency risk is represented as follow:

	<u>U.S. dollar</u>	<u>Euro</u>
31 December 2021		
Cash and cash equivalents	4,661,302	2,856,982
Advances to suppliers	241,881	749,234
Trade payables	(522,663)	(405,612)
	4,380,520	3,200,604
31 December 2020		
Cash and cash equivalents	2,319,967	1,817,757
Advances to suppliers	270,829	545,813
Trade payables	(670,906)	(164,995)
	1,919,890	2,198,575

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(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 the financial instruments as follows:

	As at 31 December	
	2021	2020
Cash and cash equivalents	<u>55,737,832</u>	50,061,188
Trade receivables	<u>27,955,239</u>	41,260,502
	<u><u>83,693,071</u></u>	<u><u>91,321,690</u></u>

The carrying amount of financial assets represents the maximum credit exposure.

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.

The movement on the allowance for the expected credit losses related to the trade receivables is as follows:

	As at 31 December	
	2021	2020
Balance as at 1 January	<u>1,491,104</u>	1,251,104
Charged during the year	<u>240,000</u>	240,000
Balance as at 31 December	<u><u>1,731,104</u></u>	<u><u>1,491,104</u></u>

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 December 2021	Book value	Less than one year	From 1 year to 5 years	Total
	<u>5,167,005</u>	<u>1,531,897</u>	<u>3,635,108</u>	<u>5,167,005</u>
Lease liability				
Trade payables	<u>23,581,319</u>	<u>23,581,319</u>	-	<u>23,581,319</u>
Accrual and other payables	<u>38,840,171</u>	<u>38,840,171</u>	-	<u>38,840,171</u>
	<u><u>67,588,495</u></u>	<u><u>63,953,387</u></u>	<u><u>3,635,108</u></u>	<u><u>67,588,495</u></u>
As at 31 December 2020				
Lease liability	2,413,041	2,413,041	-	2,413,041
Trade payables	16,744,015	16,744,015	-	16,744,015
Accrual and other payables	38,032,406	38,032,406	-	38,032,406
	<u>57,189,462</u>	<u>57,189,462</u>	-	<u>57,189,462</u>

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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals unless otherwise stated)

Financial instruments at fair value

The following table shows the carrying amounts and fair values of financial assets, including their levels in the fair value hierarchy. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value.

<u>2021</u>	<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets				
Investment in equity instruments at fair value through other comprehensive income (Note 8)	3,302,371	3,302,371	-	-
Investment in equity instruments at fair value through profit or loss (Note 12)	248,276,792	248,276,792	-	-
	<u>251,579,163</u>	<u>251,579,163</u>	<u>-</u>	<u>-</u>

<u>2020</u>	<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets					
Investment in equity instruments at fair value through other comprehensive income (Note 8)	3,228,575	3,228,575	-	-	3,228,575
Investment in equity instruments at fair value through profit or loss (Note 12)	242,098,817	242,098,817	-	-	242,098,817
	<u>245,327,392</u>	<u>245,327,392</u>	<u>-</u>	<u>-</u>	<u>245,327,392</u>

- There were no transfers between the fair value levels during the year.
- The carrying value of financial assets and financial liabilities at amortized cost approximates their fair value on the date of the consolidated financial position.

33. RECLASSIFICATION

Some comparative figures for the financial year ending on 31 December 2020 have been reclassified to be consistent with the current presentation of the consolidated financial statements.

<u>31 December 2019</u>	<u>Previously Reported</u>	<u>Re-classification (1)</u>	<u>Restated</u>
Statement of financial position			
Property, plant and equipment	1,453,644,907	(325,476)	1,453,319,431
Intangible assets	126,692	325,476	452,168

CITY CEMENT COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts in Saudi Riyals unless otherwise stated)

Re-classification (1)

Part of projects under construction included in the property, machinery and equipment related to the establishment of software for the finance management - has been reclassified to a software under progress - intangible assets.

34. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 6 Sha'ban 1443 (H) Corresponding to 9 March 2022 (G).
