

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

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021
TOGETHER WITH REPORT ON REVIEW OF CONDENSED INTERIM
FINANCIAL STATEMENTS**



Al Azem & Al Sudairy & Al Shaikh & Partners
CPA's & Consultants - Member Crowe Global

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

CONDENSED INTERIM FINANCIAL STATEMENTS
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TOGETHER WITH REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL
STATEMENTS

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**REPORT ON REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

**TO: THE SHAREHOLDERS OF
Tabuk Cement Company
(A Saudi Joint Stock Company)**

Introduction:

We have reviewed the accompanying condensed interim statement of financial position of **Tabuk Cement Company (the "Company")** as at 31 March 2021, and the related condensed interim statements of comprehensive income, changes in shareholders' equity and cash flows for the three months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard (34) "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review:


We conducted our review in accordance with International Standard on Review Engagements - 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia.



**AlAzem, AlSudairy, AlShaikh & Partners
Certified Public Accountants**


**Abdullah M. AlAzem
License No. 335**

20 Ramadan 1442H (May 2, 2021)
Riyadh, Kingdom of Saudi Arabia

TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2021

(All amounts in Saudi Riyals)

	Note	31 March 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
NON CURRENT ASSETS			
Property and equipment, net	4	1,051,654,601	1,065,784,188
Investment properties		77,464,847	77,464,847
Investments in equity instruments at fair value through other comprehensive income	5	281,288,274	281,288,274
Intangible assets, net	6	5,125,641	5,043,683
Right-of-use assets, net	7	3,101,188	3,566,366
TOTAL NON CURRENT ASSETS		1,418,634,551	1,433,147,358
CURRENT ASSETS			
Inventory		272,830,888	285,063,097
Trade receivables and other debit balances		28,729,868	14,613,889
Cash and cash equivalents		51,467,104	40,693,362
TOTAL CURRENT ASSETS		353,027,860	340,370,348
TOTAL ASSETS		1,771,662,411	1,773,517,706
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	9	900,000,000	900,000,000
Statutory reserve		227,745,646	227,745,646
Reserve for gains in fair value changes from investments in equity instruments at fair value		111,939,524	111,939,524
Retained earnings		16,388,977	9,342,586
TOTAL SHAREHOLDERS' EQUITY		1,256,074,147	1,249,027,756
LIABILITIES			
NON CURRENT LIABILITIES			
Non-current portion of long term loans	8	237,715,493	252,000,653
Employees' defined benefits liabilities		14,967,520	14,216,404
Non-current portion of lease liabilities	7	1,306,812	1,772,419
TOTAL NON CURRENT LIABILITIES		253,989,825	267,989,476
CURRENT LIABILITIES			
Current portion of lease liabilities	7	1,881,295	1,881,295
Current portion of long term loans	8	63,470,883	63,470,883
Trade payables and other credit balances		63,470,722	59,297,661
Accrued dividends to shareholders		121,559,543	121,694,374
Provision for zakat	10	11,215,996	10,156,261
TOTAL CURRENT LIABILITIES		261,598,439	256,500,474
TOTAL LIABILITIES		515,588,264	524,489,950
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,771,662,411	1,773,517,706

The accompanying from (1) to (18) are integrated part of these condensed interim financial statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders, and signed on its behalf by

Finance Manager
Mansour Ibrahim Al-Habdan

Chief Executive Officer
Ali bin Mohamed Al Qahtani

Board Member
(commissioner)
Tarik Bin Khalid Al-Anqari



TABUK CEMENT COMPANY
(Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021

(All amounts in Saudi Riyals)

	Notes	For the three-month period ending March 31	
		2021 (Unaudited)	2020 (Audited)
Sales, Net			
Cost of sales		76,955,309	75,421,164
Gross profit		(59,017,053)	(57,895,492)
Selling and marketing expenses		17,938,256	17,525,672
General and administrative expenses		(846,637)	(678,448)
Operating profit		(6,032,111)	(5,294,535)
		11,059,508	11,552,689
Finance cost		(1,818,339)	(4,482,959)
Impact on Adjust cash flow to financial liability		(1,582,561)	22,758,671
Other Income		421,894	367,302
Deposits income		15,889	35,045
Net profit before zakat		8,096,391	30,230,748
Zakat expense		(1,050,000)	(1,318,967)
Net profit for the period		7,046,391	28,911,781
Items of other comprehensives income Items that will not be reclassified subsequently to profit and loss:			
Actuarial gain on re-measurement of end of service benefits		-	-
Total other comprehensive income for the period		-	-
Total comprehensive income for the period		7,046,391	28,911,781
Basic and diluted profit per share Of net profit for the period	11	0.08	0.32

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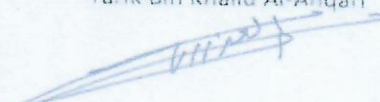
Finance Manager
Mansour Ibrahim Al-Habdan



Chief Executive Officer
Ali bin Mohamed Al Qahtani



Board Member
(commissioner)
Tarik Bin Khalid Al-Anqari




TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021

(All amounts in Saudi Riyals)

	Share Capital	Statutory reserve	Reserve for gains in fair value changes from investments in equity instruments at fair value	Retained Earnings	Total
Balance at 1 January 2021 (Audited)	900,000,000	227,745,646	111,939,524	9,342,586	1,249,027,756
Net profit for the period	-	-	-	7,046,391	7,046,391
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	7,046,391	7,046,391
Balance at 31 March 2021 (Unaudited)	900,000,000	227,745,646	111,939,524	16,388,977	1,256,074,147
Balance at 1 January 2020 (Audited)	900,000,000	222,588,069	101,609,250	(36,703,046)	1,187,494,273
Net profit for the period	-	-	-	28,911,781	28,911,781
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	28,911,781	28,911,781
Balance at 31 March 2020 (Unaudited)	900,000,000	222,588,069	101,609,250	(7,791,265)	1,216,406,054

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Finance Manager
Mansour Ibrahim Al Habbani

Chief Executive Officer
Ali bin Mohamed Al Qahtani

Board Member
(commissioner)

Tarik Bin Khalid Al Anqari

TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021
 (All amounts in Saudi Riyals)

	<i>31 March 2021</i> (Unaudited)	<i>31 March 2020</i> (Unaudited)
OPERATING ACTIVITIES		
Net profit for the period before zakat	8,096,391	30,230,748
Adjustment for:		
Depreciation and Amortization	17,604,475	21,809,343
Depreciation of right of use asset	465,178	-
Impact on Adjust cash flow to financial liability	1,582,561	(22,758,671)
Finance cost	1,826,295	4,482,959
Provision for employees' defined benefits	1,319,869	617,334
	<u>30,894,769</u>	<u>34,381,713</u>
Changes in operating assets and liabilities:		
Trade receivables and other debit balances	(14,115,979)	(11,673,588)
Inventory	12,232,209	9,709,009
Trade payables and other credit balances	4,182,796	(5,702,720)
Net cash flows generated from operations	<u>33,193,795</u>	<u>26,714,414</u>
Employees' defined benefits paid	(568,753)	(855,166)
Net cash from operating activities	<u>32,625,042</u>	<u>25,859,248</u>
INVESTING ACTIVITIES		
Payments for acquisition of plant and equipment	(3,335,816)	(80,637)
Payments for acquisition of intangible assets	(221,030)	(424,975)
Net cash used in investing activities	<u>(3,556,846)</u>	<u>(505,612)</u>
FINANCING ACTIVITIES		
Repayment of loans	(15,867,721)	(23,801,581)
Finance cost paid	(1,826,295)	(4,973,265)
Dividends paid	(134,831)	(856,597)
Repayment of lease liabilities	(465,607)	(227,950)
Net cash used in financing activities	<u>(18,294,454)</u>	<u>(29,859,393)</u>
Net change in cash and cash equivalents during the period	<u>10,773,742</u>	<u>(4,505,757)</u>
Cash and cash equivalents at the beginning of the period	40,693,362	14,104,701
Cash and cash equivalents at the end of the period	<u>51,467,104</u>	<u>9,598,944</u>

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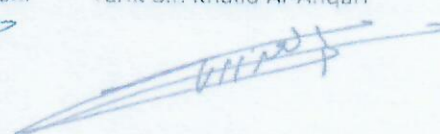
Finance Manager
 Mansour Ibrahim Al-Habdan



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 Ali bin Mohamed Al Qahtani



Board Member
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 Tarik Bin Khalid Al-Anqari




TABUK CEMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021

(All amounts in Saudi Riyals)

1) ORGANISATION AND ACTIVITIES

Tabuk Cement Company (the Company) is a Saudi Joint Stock Company established under the Companies law in the Kingdom of Saudi Arabia issued by the Royal Decree No. (M/6) dated Rabi al-Awwal 22, 1385H and licensed under Ministerial Resolution No. 889 dated sha'ban 7, 1414H (corresponding to January 19, 1994). The company is registered in Tabuk city under Commercial Registration No.3550012690 dated Safer 25, 1415H (corresponding to August 2, 1994).

The company's main activity is :

- Manufacture of ordinary Portland cement and resistant to sulfate salts, pozzolanic cement for industrial purposes and its derivatives and accessories, and trade in these products and carry out all related and complementary works for this purpose.
- Establishing factories and laboratories related to the subsidiary and complementary industries of the cement industry, including building materials and others.
- Importing and exporting cement and related products, and owning real estate and scientific laboratories to improve products.

As per industrial licence No. 227/S amended by licence no. (6309/S) dated Sha'ban 26, 1432H (corresponding to July 27, 2011).

The factory is located 30 kilometers from the city of Duba, Al-Bida Road, next to the port of Duba, and the headquarters of the company's general administration in Tabuk.

2) BASIS OF PREPARATION

(a) Statement of compliance:

These Condensed Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") and should be read in conjunction with the Company's last annual Financial Statements as at and for the year ended 31 December 2020. They do not include all of the information required for a complete set of IFRS Financial Statements however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since December 31, 2020.

The Capital Market Authority issued the decision of the Board of Commissioners on (15) Muharram 1438H (16 October 2016) to require listed companies to apply the cost model when measuring the assets of property and equipment, investment properties and intangible assets when adopting the IFRS for a period of 3 years begin from the date of adoption of the International Financial Reporting Standards, On December 31, 2019, it was extended until the financial periods of the year beginning on January 1, 2022, and continue to comply with the requirements for disclosure of IFRS adopted in the Kingdom of Saudi Arabia, which require disclosure of fair value.

(b) Basis of measurement:

The condensed interim financial statements have been prepared on the historical cost basis using the accrual basis of accounting except for the following.

- Measuring derivative financial instruments at fair value.
- Investments at fair value through other comprehensive income.
- Employee benefits obligations that are recognized at the present value of future liabilities using the expected credit unit method.

TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021
(All amounts in Saudi Riyals)

2) BASIS OF PREPARATION (continued)

(c) Functional and presentation currency:

The condensed interim financial statements are presented in Saudi Riyal, which is the Company's functional currency.

(d) Use of estimates and judgments

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

The significant estimates made by the management when applying the company's accounting policies and the significant sources of uncertainties in the estimates were similar to those shown in the last annual financial statements.

However, the company has reviewed the significant sources of uncertainties outlined in the recent annual financial statements against the backdrop of the COVID-19 pandemic. Management believes that all other sources of uncertainty remain the same as those shown in the most recent annual financial statements. Management will continue to monitor the situation and any required changes will be reflected in future reporting periods

3) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed interim financial statements are in accordance with the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants. ("SOCPA") and are the same policies applied in the company's annual financial statements for the year ended December 31, 2020.

The main accounting policies applied in preparing these condensed interim financial statements have been applied consistently to all periods presented.

New standards and amendments to standards and interpretations

No new standards have been issued, however, a number of amendments to the standards are in effect as of January 1, 2021, which have been explained in the company's annual financial statements, but have no material impact on the Company's interim condensed financial statements.

4) PROPERTY AND EQUIPMENT, NET

During the three months period ended March 31, 2021, the Company addition to property and equipment were SR 3,335,816 (SR 80,637 March 31, 2020).

During the three months period ended March 31, 2021, depreciation expense of property and equipment amounted to SR 17,465,403 (SR 21,809,343 for the three months ended March 31, 2020)

TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021
 (All amounts in Saudi Riyals)

5) INVESTMENTS IN EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Company owns 16,934,875 shares representing 3.387% of the total share capital in Industrialization and Energy Services Company ("TAQA") (A Saudi Closed Joint Stock Company). TAQA's nature of business is energy and electricity generation. The investment is recorded at fair value. The investment is pledged against a loan (Note 13).

On May 26, 2019, the General Assembly of the Investee company approved the distribution of profits for the year 2018, the Company's share of which amounted to SR 5,080,463 and on July 2, 2019, these distributions were collected.

6) INTANGIBLE ASSETS, NET

During the three months period ended March 31, 2021, the Company addition to property and equipment were SR 221,030 (SR 424,975 March 31, 2020).

During the three months period ended March 31, 2021, amortization expense amounted to SR 139,072 (SR None for the three months ended March 31, 2020)

7) RIGHT OF USE ASSETS, NET

7/1 The following table shows the balance at the right of use assets in addition to the depreciation charge :

	<i>March 31, 2021</i> <i>(Unaudited)</i>		<i>December 31, 2020</i> <i>(audited)</i>	
	<u>Depreciation</u>	<u>Balance</u>	<u>Depreciation</u>	<u>Balance</u>
Vehicles	465,178	3,101,188	1,690,464	3,566,366
Total right of use	<u>465,178</u>	<u>3,101,188</u>	<u>1,690,464</u>	<u>3,566,366</u>

7/2 Lease Liabilities

-The table below shows the lease obligations based on the contractual maturity date:

	<i>March 31, 2021</i> <i>(Unaudited)</i>	<i>December 31, 2020</i> <i>(Audited)</i>
Non current portion of lease liabilities	1,306,812	1,772,419
Current portion of lease liabilities	1,881,295	1,881,295
Total lease liabilities	<u>3,188,107</u>	<u>3,653,714</u>

The total interest expense on lease liabilities recognized during the period ended March 31, 2021: SR 24,692 (31 March 2020: SR None).

TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021
 (All amounts in Saudi Riyals)

8) LOANS

	31 March 2021 <i>(Unaudited)</i>	31 December 2020 <i>(Audited)</i>
Total Loan	301,186,376	315,471,536
Less: Current portion	<u>(63,470,883)</u>	<u>(63,470,883)</u>
Non Current portion	<u>237,715,493</u>	<u>252,000,653</u>

The movement of loans is as following for the period / year:

	31 March 2021 <i>(Unaudited)</i>	31 December 2020 <i>(Audited)</i>
Balance at the beginning of the period/ year	315,471,536	404,626,881
Impact on Adjust cash flow to financial liability	1,582,561	(17,750,601)
Paid	<u>(15,867,721)</u>	<u>(71,404,744)</u>
Balance at the end of the period / year	<u>301,186,376</u>	<u>315,471,536</u>

On March 15, 2020, the company signed an agreement to reschedule the loan to be subject to a six-months interest rate of SIBOR and a fixed rate of 1.25% per annum instead of 2.5%, and is repayable in quarterly installments in the amount of 15.9 million Saudi riyals, and the last instalment will be paid in March 13, 2026 instead of February 2024.

As a result of rescheduling the loan and amending the terms, the company performed a 10% test for the loan commitment in accordance with the requirements of IFRS 9 "Financial Instruments". This test resulted in the amendment effect gain of 22,758,671 Saudi riyals. This amount represents the difference between the present value of the loan according to the terms before the amendment and the present value of future cash payments according to the terms of the loan modification that has been renegotiated and modified, which is discounted at the original effective interest rate of the loan. Since the difference is less than 10%, the amendment to the terms is not considered material and it is not accounted for as disposing of the loan obligation and establishing a new financial commitment, and accordingly, the present value of future cash payments according to the terms of the amendment has been established using the loan's original effective interest rate, and the difference is recognized as a gain. The effect of modification.

The loan is secured by an investment in the Industrialization and Energy Services Company, note (5), and the loan includes financial covenants. The management monitors the fulfilment of the obligations on a regular basis, and in the event of a breach that is expected to occur in the future, the necessary measures are taken to ensure compliance.

9) SHARE CAPITAL

The Company's share capital at 31 March 2021 amounted to SR 900 million (31 December 2020: SR 900 million) of 90 million shares (2020: 90 million shares) fully paid with a nominal value of SR 10 per share.

10) PROVISION FOR ZAKAT PAYBLE

Status of assessment

The company submitted its zakat declarations to the General Authority of Zakat and Income in the Kingdom of Saudi Arabia for all years up to December 31, 2019. The General Authority of Zakat and Income made final assessments for the years ending from 2014 to 2017, which resulted in a total zakat difference of 557,949 Saudi riyals, and the amount was paid.

The company has submitted an objection to the zakat assessment for the two years ending on December 31, 2015 and December 31, 2017, and the company's objection has been accepted by the General Authority for Zakat and Income, and the company received an amount of 354,954 riyals according to a credit notice on the date of 24/8/2020.

The company submitted its zakat declaration for the year ending on December 31, 2018, and paid an amount of SAR 3,042,781, and the final assessment was obtained, and this assessment resulted in zakat differences on the company in the amount of SAR 2,540,231, and accordingly the company submitted an objection to the zakat assessment.

TABUK CEMENT COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021
(All amounts in Saudi Riyals)

11) EARNINGS PER SHARE

Earnings per share attributable to income from operations and net income was calculated by dividing income from operations and net income for the period by the weighted average number of outstanding shares of 90 million as of 31 March 2021 (31 March 2020: 90 million shares).

12) COMMITMENTS AND CONTINGENCIES

At 31 March 2021, the Company has outstanding contingent liabilities in the form of letters of guarantee amounting to SR 3,625,000 (31 December 2020: SR 3,625,000).

13) FINANCIAL RISK MANAGEMENT

The company has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Commission rate risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

Risk management framework

The management has overall responsibility for the establishment and oversight of company's risk management framework.

The company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk arises from cash, cash equivalents and trade receivables.

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company's policy is that all customers who wish to trade on credit terms are subject to credit worthiness evaluation process. Financial instruments that expose the Company to concentrations of credit risk consist primarily of accounts receivable. The Company places its bank balances with a number of financial institutions with sound credit ratings and has a policy of limiting its balances deposited with each institution. The Company does not believe that there is a significant risk of non-performance by these financial institutions. The Company does not consider itself exposed to a concentration of credit risk with respect to accounts receivable due to its diverse customer base operating in various industries and located in many regions.

The company manages the credit risk related to the amounts due from trade receivables through the monitoring method in accordance with the established policies and procedures. The company limits credit risk related to trade receivables by setting credit limits for each client and monitoring outstanding trade receivables on an ongoing basis.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021
 (All amounts in Saudi Riyals)

13) FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

It is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by ensuring that Islamic bank facilities are available. The terms and conditions of the facilities are disclosed in note 8. The Company's terms of sales require amounts to be paid either on cash on delivery or on terms basis. Trade payables are normally settled within 60 days of the date of purchase.

The following are the contracted maturities of financial liabilities, including estimated interest payments:

March 31, 2021

(Unaudited)

	Carrying Amount	Contractual Cash Flows	Less than a year	More than a year
Loans	301,186,376	(301,186,376)	63,470,883	237,715,493
Trade payables and other credit balances	63,470,722	(63,470,722)	63,470,722	-
lease liabilities	3,188,107	(3,188,107)	1,881,295	1,306,812
Provision for zakat	11,215,996	(11,215,996)	11,215,996	-
Employees' defined benefits liabilities	14,967,520	(14,967,520)	-	14,967,520
	<u>394,028,721</u>	<u>(394,028,721)</u>	<u>140,038,896</u>	<u>253,989,825</u>

December 31, 2020

(Audited)

Loans	315,471,536	(315,471,536)	63,470,883	252,000,653
Trade payables and other credit balances	59,297,661	(59,297,661)	59,297,661	-
lease liabilities	3,653,714	(3,653,714)	1,881,295	1,772,419
Provision for zakat	10,156,261	(10,156,261)	10,156,261	-
Employees' defined benefits liabilities	14,216,404	(14,216,404)	-	14,216,404
	<u>402,795,576</u>	<u>(402,795,576)</u>	<u>134,806,100</u>	<u>267,989,476</u>

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the prevailing market commission rates. The Company is subject to commission rate risk on its commission bearing Islamic short term and long term facilities.

Currency risk

It is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management monitors fluctuations in foreign currency exchange rates, and believes that the Company is not exposed to significant currency risk since the Company did not undertake significant transactions in currencies other than Saudi Riyal and US Dollars. The Saudi Riyal is pegged to the US Dollar, accordingly, balances and transactions in US Dollars are not considered to represent significant currency risk.

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(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021
 (All amounts in Saudi Riyals)

13) FINANCIAL RISK MANAGEMENT (continued)

Fair Value

Fair value represents 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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value, of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Company uses observable market 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.

Level 2: inputs other than quoted prices included 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).

14) TRANSACTIONS WITH RELATED PARTIES

The transactions with related parties during the year are as follows:

Related parties	Nature of the transaction	31 March 2021	31 March 2020
Members of Board of the directors and Board Committees	allowances	682,804	172,247
Members of Board of the directors	Air tickets	2,029	28,778
Senior management	Reward	720,000	576,000

15) IMPACT OF COVID-19

The outbreak of the new Corona virus (Covid-19) at the beginning of 2020 in most countries led to widespread disruption of business, and the consequent negative impact on economic activities. The company is constantly monitoring the impact on it, and it is also cooperating with local regulatory bodies to manage possible business disruptions due to the outbreak of the Covid-19 epidemic.

In light of COVID-19, the Company has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the consolidated financial statement. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the condensed interim financial statements:

- Impairment of non-financial assets

The Company has considered any impairment indicators arising and any significant uncertainties around its property, plant and equipment, and right-of-use assets especially arising from any change in lease terms and concluded there is no material impact due to COVID-19.

- Commitments and contingent liabilities

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15) IMPACT OF COVID-19 (continued)

The Company has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among customers and suppliers, with a view of potential increase in contingent liabilities and commitments and no issues were noted.

- Going concern

The Company has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Company has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2020. As a result, this interim condensed consolidated financial statement has been appropriately prepared on a going concern basis.

The company's management continues to monitor the situation closely in light of the changes in the duration and size of precautionary measures, and it is assessing the potential effects on the condensed interim financial statements.

16) INTERIM RESULTS

The results of operations for the condensed interim periods may not be an accurate indication of the results of the full year operations.

17) EVENT AFTER THE REPORTING PERIOD

The management believes there are no material subsequent events for the period ending on March 31, 2021 which may have a significant impact on the Company's in these interim condensed interim financial statements.

18) APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements were approved by the Board of Directors on 20 Ramadan 1442H (corresponding to May 2, 2021).