

UMM AL-QURA CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH
PERIODS ENDED 30 SEPTEMBER 2023
WITH INDEPENDENT AUDITOR'S INTERIM
REVIEW REPORT

UMM AL-QURA CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

<u>INDEX</u>	<u>PAGE</u>
Independent auditor's review report for condensed interim financial information	2
Condensed interim statement of financial position (unaudited)	3
Condensed interim statement of profit or loss and other comprehensive income (unaudited)	4
Condensed interim statement of changes in equity (unaudited)	5
Condensed interim statement of cash flows (unaudited)	6
Notes to the condensed interim financial statements (unaudited)	7-17

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

To: The Shareholders
UMM AL-QURA CEMENT COMPANY
(Saudi Joint Stock Company)

Riyadh - Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed statement of financial position of **Umm Al-Qura Cement Company** - a Saudi Joint Stock Company as of September 30, 2023, and the related interim condensed statement of profit or loss and other comprehensive income, for the three-month and nine-month periods then ended, and the interim condensed statement of changes in equity and cash flows for the nine-month period then ended, including a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard (IAS 34) 'Interim Financial Reporting', that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of review

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

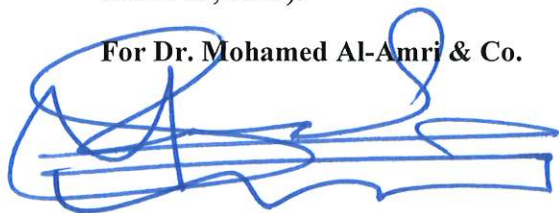
Conclusion

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

Other matter

The interim condensed financial statements for the three and nine-month periods ending on September 30, 2022, have been reviewed by another auditor, who expressed an unmodified conclusion on those interim financial statements on Rabi' al-Thani 9, 1444 H (corresponding to November 3, 2022), The company's financial statements for the financial year ending on December 31, 2022 were also audited by another auditor, who expressed an unmodified opinion on those statements on Shaaban 28, 1444 H (corresponding to March 20, 2023).

For Dr. Mohamed Al-Amri & Co.



Maher Al-Khatieb
Certified Public Accountant
Registration No. 514

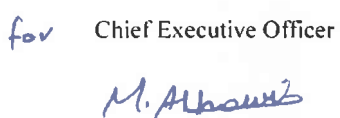



Date: 23 Rabi Al-Thani 1445 (H)
Corresponding to: 7 November 2023 (G)

UMM AL-QURA CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 SEPTEMBER 2023

		30 September 2023 (Unaudited) SAR	31 December 2022 (Audited) SAR
	Note		
Assets			
Non-current assets			
Property, plant and equipment, net		747,947,448	774,234,584
Intangible assets, net		1,273,403	1,406,958
Right-of-use asset, net		939,708	1,583,033
Financial investments at fair value through OCI		98,974	76,912
Total non-current assets		750,259,533	777,301,487
Current assets			
Inventory	5	382,906,894	335,009,142
Deposit against bank letter of guarantee	6	-	51,034,237
Short term time deposit		20,000,000	-
Accounts receivable, prepaid expenses and other debtors, net	7	11,155,696	10,988,893
Cash and cash equivalents		21,396,726	5,891,476
Total current assets		435,459,316	402,923,748
Total assets		1,185,718,849	1,180,225,235
Equity and Liabilities			
Equity			
Share capital	1	550,000,000	550,000,000
Statutory reserve	8	31,675,122	31,675,122
Reserve for revaluation of Financial investments at fair value through OCI		70,638	48,576
Retained earnings		190,468,585	180,417,936
Total equity		772,214,345	762,141,634
Liabilities			
Non-current liabilities			
Saudi Industrial Development Fund loan- non-current portion	9	276,101,764	206,058,439
Provision for dismantling, removing and rehabilitation of areas subject to franchise license		15,834,224	14,835,978
Lease liabilities - non-current portion		335,773	615,721
Employees benefits obligations		3,205,226	3,080,014
Total non-current liabilities		295,476,987	224,590,152
Current liabilities			
Saudi Industrial Development Fund loan- current portion	9	35,834,722	111,572,279
Lease liabilities - current portion		383,323	876,428
Accounts payable, accrued expenses and other credit balances	10	74,747,908	72,994,651
Zakat provision		7,061,564	8,050,091
Total current liabilities		118,027,517	193,493,449
Total liabilities		413,504,504	418,083,601
Total equity and liabilities		1,185,718,849	1,180,225,235

Finance Manager


for Chief Executive Officer
 M. Alhassan

Chairman of Board of Directors


The accompanying notes from (1) to (16) are an integral part of these condensed interim financial statements.

UMM AL-QURA CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)

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

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

	Note	For the three months period ended 30 September		For the nine months period ended 30 September	
		2023 SAR (Unaudited)	2022 SAR (Unaudited) (Restated note 14)	2023 SAR (Unaudited)	2022 SAR (Unaudited) (Restated note 14)
Profit or loss					
Sales		33,515,897	54,214,507	118,508,041	179,298,949
Cost of sales		(31,026,231)	(38,893,653)	(89,775,738)	(122,312,381)
Gross profit		2,489,666	15,320,854	28,732,303	56,986,568
Selling and marketing expenses		(826,015)	(1,102,226)	(2,505,060)	(3,223,896)
General and administrative expenses		(4,362,527)	(2,780,740)	(10,093,087)	(8,021,057)
(Losses) / Profits from main operations		(2,698,876)	11,437,888	16,134,156	45,741,615
Finance costs		(2,976,199)	(3,853,773)	(9,577,951)	(11,448,217)
(loss)/Profit on foreign currency exchange		78,817	37,972	(91,230)	200,055
Deposit returns against bank letter of guarantee		-	354,070	707,167	605,705
Gain from modifying in financial liabilities	9	8,761,365	-	8,761,365	-
Other income		787,646	244,738	1,085,046	503,870
Net profit for the period before Zakat		3,952,753	8,220,895	17,018,553	35,603,028
Zakat		(2,506,378)	(2,100,000)	(6,967,904)	(6,300,000)
Net profit for the period		1,446,375	6,120,895	10,050,649	29,303,028
Other comprehensive income					
Items that will not subsequently reclassified to the statement of profit or loss					
Unrealized holding gain from revaluation of Investments financial instruments through OCI		14,573	9,412	22,062	42,504
Actuarial gain from the actuarial remeasurement of the employee benefit obligations		-	429,560	-	1,191,972
Total other comprehensive income for the period		14,573	438,972	22,062	1,234,476
Total comprehensive income for the period		1,460,948	6,559,867	10,072,711	30,537,504
Earnings per share	11				
Basic and diluted earning per share in net profit for the period		0,03	0,11	0,18	0,53

Finance Manager



for

Chief Executive Officer



Chairman of Board of Directors



The accompanying notes from (1) to (16) are an integral part of these condensed interim financial statements.

UMM AL-QURA CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

	Share capital SAR	Statutory reserve SAR	Reserve for revaluation of investments at fair value through OCI SAR	Retained earnings SAR	Total equity SAR
Balance as at 1 January 2023 (Audited)	550,000,000	31,675,122	48,576	180,417,936	762,141,634
Net profit for the period	-	-	-	10,050,649	10,050,649
Other comprehensive income for the period	-	-	22,062	-	22,062
Total comprehensive income for the period	-	-	22,062	10,050,649	10,072,711
Balance as at 30 September 2023 (Unaudited)	550,000,000	31,675,122	70,638	190,468,585	772,214,345
Balance as at 1 January 2022 (Audited) (Restated note 14)	550,000,000	29,376,428	14,168	173,109,816	752,500,412
Net profit for the period (Restated note 14)	-	-	-	29,303,028	29,303,028
Other comprehensive income for the period	-	-	42,504	1,191,972	1,234,476
Total comprehensive income for the period	-	-	42,504	30,495,000	30,537,504
Dividends (note 13)	-	-	-	(13,750,000)	(13,750,000)
Balance as at 30 September 2022 (Unaudited)	550,000,000	29,376,428	56,672	189,854,816	769,287,916

Finance Manager

for Chief Executive Officer


Chairman of Board of Directors

The accompanying notes from (1) to (16) are an integral part of these condensed interim financial statements.

UMM AL-QURA CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

	For the nine-month period ended 30 September	
	2023 SAR (Unaudited)	2022 SAR (Unaudited) (Restated note 14)
Cash flows from operating activities		
Net profit for the period before Zakat	17,018,553	35,603,028
Adjustments to reconcile net profit for the period before zakat:		
Depreciations of property, plant and equipment	39,301,692	39,455,649
Amortizations of intangible assets	145,255	146,888
Depreciation of right-of-use assets	643,325	531,575
Provision for employees benefits obligations	449,631	759,776
Provision for expected credit losses	-	442,226
Bank deposit returns against bank letter of guarantee	(707,167)	(605,705)
Gain from modifying in financial liabilities	(8,761,365)	-
Losses on the sale of property, plant and equipment	6,086	-
Finance costs	9,577,951	11,448,217
	57,673,961	87,781,654
Changes in operating assets and liabilities:		
Inventory	(47,897,752)	(36,089,687)
Accounts receivable, prepaid expenses and other debtors	(1,417,535)	(3,492,044)
Release of the deposit against the letter of guarantee	51,034,237	-
Accounts payable, accrued expenses and other creditors	1,753,254	10,200,116
Generated from operations	61,146,165	58,400,039
Finance costs paid	(3,516,000)	(5,274,000)
Employees benefits obligations paid	(324,419)	(240,695)
Zakat provision paid	(7,956,431)	(7,622,250)
Net cash generated from operating activities	49,349,315	45,263,094
Cash flows from investing activities		
Purchase of property, machinery and equipment	(13,034,540)	(1,669,847)
Proceeds of property, machinery and equipment	2,200	-
Purchase of intangible assets	-	(26,058)
Purchase of short term time deposit	(20,000,000)	-
Net cash (used in) investing activities	(33,032,340)	(1,695,905)
Cash flows from financing activities		
Lease liabilities paid	(811,725)	(730,172)
Dividends	-	(13,750,000)
Net cash (used in) financing activities	(811,725)	(14,480,172)
Net change in cash and cash equivalents	15,505,250	29,087,017
Cash and cash equivalents at the beginning of the period	5,891,476	36,790,341
Cash and cash equivalents at the end of the period	21,396,726	65,877,358
Non – cash transactions		
Addition bank deposit corresponding to bank letter of guarantee	-	50,000,000
Additions to right-of-use assets corresponding to related lease liabilities	-	1,063,870

Finance Manager

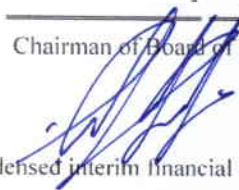


for

Chief Executive Officer



Chairman of Board of Directors



The accompanying notes from (1) to (16) are an integral part of these condensed interim financial statements.

UMM AL-QURA CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)

1- ORGANIZATION AND ACTIVITIES

Umm Al-Qura Cement Company ("UACC" or the "Company") was registered as a Saudi joint stock company with Commercial Registration number 1010382514 issued in Riyadh on 28 Sha'ban 1434 H (corresponding to 7 July 2013). The share Capital of the Company is amounted to SAR 550,000,000 divided into 55,000,000 shares with a nominal value of SAR 10 per share.

The activities of the Company include manufacturing of ordinary cement (Portland), manufacturing of salt-resistant cement, manufacturing of white cement, manufacturing of agglomerated cement (clinker), accordance with the Industrial License No. 1549, issued on 5 Rajab 1435 H (corresponding to 5 May 2014), and renewed with License No. 451102130214, issued on 11 Rabi' al-Awwal 1445 H (corresponding to September 26, 2023), and where the license expires on 2 Shaban 1445 H (corresponding to 12 February 2024).

The condensed interim financial statements include the assets, liabilities and results of the company's operations and the below branches:

<u>Branch</u>	<u>CR No.</u>	<u>City</u>	<u>Activity</u>
Umm Al-Qura Cement Factory Company	4032044432	Taif	The manufacture of ordinary cement (Portland), the manufacture of salt-resistant cement, the manufacture of white cement, the manufacture of agglomerated cement (clinker)
Umm Al-Qura Cement Company	4032254452	Taif	Wholesale of cement, plaster and the similar materials , retail sale of building materials, including cement, bricks, gypsum, cement tiles, etc.

The head office of the Company is at King Abdulaziz Road, Al-Sahafa District, P.O. Box 4286, Riyadh 13321, Riyadh, Saudi Arabia. The Company's factory is located in Taif.

2- BASIS OF PREPARATION CONDENSED INTERIM FINANCIAL STATEMENTS

2-1 STATEMENT OF COMPLIANCE

The condensed interim financial statements have been prepared in accordance with International Accounting Standard (34), "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants. These condensed interim financial statements do not include all information and disclosures required to issue the complete set of financial statements. Also, the results for the period ended 30 September 2023 are not necessarily indicative of the results that can be expected for the year ending on 31 December 2023 (refer to note 4). It should also be read along with the latest financial statements for the year ended 31 December 2022. However, selected accounting policies and explanatory notes have also been included to explain important events and transactions to understand the changes in the financial position and financial performance of the company since 31 December 2022.

2-2 PREPARATION OF CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements have been prepared on a historical cost convention except when IFRS requires the use of another measurement basis, as indicated in the applied accounting policies (note 4), and in accordance with the accrual principle and going concern.

2-3 FUNCTIONAL AND PRESENTATION CURRENCY

These condensed interim financial statements are presented in Saudi Riyals, which is the Company's functional currency and the amounts in these financial statements are rounded to the nearest Saudi Riyal.

3- NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2023 and has been explained in Company's annual Financial Statements, but they do not have a material effect on the Company's Condensed Interim Financial Statements. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies are applied by the Company:

Use of judgments and estimates

In preparing these Condensed Interim Financial Statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual Financial Statements.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset.

Fair value

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. Fair value definition includes the assumption that the Company will continue its operations where there is no intention or condition to physically limit the volume of its operations or conduct a transaction with negative terms.

Fair values are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

Level 1: Quoted market prices in active markets for identical assets.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Classification of assets and liabilities from "current" to "non-current"

The Company presents assets and liabilities in the condensed interim statement of financial position on a current / non-current basis. The assets are current as follows:

- When it is expected to be realized or is intended to be sold or consumed during the normal cycle of operations.
- If it is acquired primarily for the purpose of trading.
- When it is expected to be achieved within twelve months after the fiscal year, or
- When they are cash and cash equivalents, unless there are restrictions on their replacement or use to pay any liabilities for a period of not less than twelve months after the financial year.
- All other assets are classified as "non-current".

All liabilities are current as follows:

- When it is expected to be paid during the normal business cycle.
- If it is acquired primarily for the purpose of trading.
- When it matures within twelve months after the fiscal year, or
- When there is no unconditional right to defer the payment of liabilities for a period of not less than twelve months after the financial year.

All other liabilities are classified as "non-current".

UMM AL-QURA CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciations. Cost includes expenditure that is directly attributable to acquisition of asset. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Expenditures on maintenance and repairs are expensed, while expenditures for improvements are capitalized. Depreciation is computed using the straight line method based on the estimated useful lives of the assets. Sold or disposed asset and its accumulated depreciation are written-off at the date of sale or disposal. Profit or loss on disposal is recognized in the condensed interim statement of profit or loss. The estimated useful lives of the principal classes of assets are:

<u>Statement</u>	<u>Years</u>
Buildings and roads	10-30
Property and equipment	4-20
Furniture and fixtures	5-20
Trucks and forklifts	7
Water wells	4

Depreciation method and useful lives are reviewed periodically to ensure that depreciation method is appropriate with the expected economic benefits of property, plant and equipment.

Projects under Construction

The cost of projects under construction is calculated on the basis of the actual cost and is shown as projects under construction until they are completed and then transferred to the various items within the property, plant and equipment, and then their depreciation begins.

Intangible assets

Intangible assets that include technical programs and quarry exploration fees, which were acquired by the Company and have a useful life of 5 to 10 years, are measured at cost less accumulated amortization and any accumulated impairment losses, if any.

Subsequent expenditure Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates, and all other internally generated expenditure is recognized in the statement of profit or loss as incurred. Amortization is calculated for the cost of intangible assets less residual value using the straight-line method over their estimated useful lives and is recognized in the statement of profit or loss.

Impairment of assets

At each statement of financial position date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If there is any indication that assets have suffered an impairment loss, the recoverable amount of any affected asset (or group of assets) is estimated and compared to its carrying amount. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the condensed interim statement of profit or loss.

When an impairment loss subsequently reverses other than goodwill, 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 recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the condensed interim statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value, except for spare parts and raw materials that are stated at cost. Costs of inventories are determined on weighted average basis. The Cost of finished and under process goods includes the cost of materials, labor and indirect industrial costs that contribute to the conversion of raw materials into a final product. Net realizable value is the estimated selling price in the ordinary course of business, less any costs to complete the sale. A provision for obsolete and slow moving items based on management estimates t the date of the condensed interim financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable

Accounts receivable are stated at the original amount of invoice, less provision for expected credit losses. An allowance against expected credit losses is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Bad debts are written off as incurred against related receivables. Provisions are charged to the condensed interim statement of profit or loss. Any receivables recovered subsequently that were previously written off are recorded under other revenues in the condensed interim statement of profit or loss.

Cash and cash equivalent

Cash and cash equivalent comprise cash on hand and bank balances, time deposits and other highly liquid short-term investments with original maturities of three months or less, from the acquisition date which are available to the Company without restrictions which is subject to insignificant risk of changes in value.

Loans

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Provisions are measured to the best of the expected fair value of the liability as at the condensed interim balance sheet date, taking into account risks and uncertainties surrounding the obligation. When an allowance is measured using estimated cash flows to settle the present obligation, the receivable is recognized as an asset if the receipt and replacement of the amount are confirmed and the amount can be measured reliably.

Accounts payable, accrued expenses and other credit balances

Liabilities are recognized for amounts to be paid in future for services received, whether billed or not by suppliers.

Value added tax

Value-added tax has been applied in the Kingdom of Saudi Arabia, starting from January 1, 2018 (Rabi' II 14, 1439 AH). It is a tax on the supply of goods and services that the final consumer ultimately bears but is collected at every stage of the production and distribution chain as a general principle, therefore The value-added tax treatment in the company's accounts must reflect its role as a tax collector, and VAT should not be included in income or expenditures, whether of a capital or revenue nature. However, there will be circumstances in which the company will incur VAT, and in such cases where VAT is not refundable, it must be included in the cost of the product or service.

Zakat provision

Zakat is a liability on the Company and provided for in the accompanying condensed interim financial statements. Zakat is charged to the condensed interim statement of profit or loss, in accordance with Zakat standard issued by SOCPA, where it is calculated for the period based on management estimates.

The differences between the provision and the final assessment are accounted in the period in which the assessment is finalized.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)

4-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Board of directors remunerations

According to the international financial reporting standards adopted in the Kingdom of Saudi Arabia, the remuneration of the members of the board of directors is recorded through the condensed interim statement of profit or loss.

Leases

Company as a lessor

The company recognizes lease payments received under the lease contracts as income in the condensed interim statement of profit or loss on a straight-line basis over the term of the lease.

Company as a lessee

Upon initiation of non-cancellable operating leases, the leased asset is identified and defined as the "right to use the leased asset" and is measured at cost with an appropriate discount on the relevant components of the lease term and payment obligations including the initial direct cost, terms and incentives mentioned in the basic lease agreement after measurement. First and foremost, the "right to use the leased asset" is subsequently measured periodically using a cost model that includes initial measurement and any re-measurement adjustments minus accumulated depreciation.

The company depreciates the asset of the right of use over the estimated period of the lease contract using the straight-line method.

On the lease commencement date at the net present value of all unpaid lease payments as on that date discounted at an appropriate rate. After initial measurement, 'lease liabilities' are measured periodically by increasing the carrying cost to reflect the interest cost on future unpaid lease liabilities and any re-measurement adjustment minus the lease payments made up to that date.

An appropriate depreciation rate and an appropriate profit rate are applied to the "right to use the leased asset" and the "lease liability" respectively. This depreciation, interest and financing expenses are charged to the condensed interim statement of profit or loss.

Short-term and low-value leases

The Company has chosen not to prove the assets (right to use) and lease obligations for short-term leases of 12 months or less and low-value lease contracts, the Company recognizes the lease payments associated with these contracts as expenses in the condensed interim statement of profit or loss on a straight-line basis over a period lease.

Revenue

Revenue is recognized when the Company fulfills its obligations in contracts with customers with an amount that reflects the material compensation that the entity expects for goods or services. Specifically, the standard provides a five-step model for revenue recognition:

Step 1: Identify the contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when or as the entity satisfies a performance obligation.

- Revenue is recognized when the contractual obligations are performed, i.e. when control over goods or services related to performance of a specified obligation is transferred to the customer and the customer is able to use goods without restrictions or benefit from services provided under the contract.
- Revenue from sale of any by-products from industrial waste is recorded as other income in the condensed interim statement of profit or loss.
- If the Company separated a product selling price from its location or delivered to customer's location, the difference arising from this separation will be considered other revenue and its corresponding cost will be charged to selling and marketing expenses.

Other Revenue

Other revenues are recognized when realized.

Expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of revenue or selling and marketing expenses and the common expenses are distributed, when required Sales and marketing expenses include all expenses related to selling and marketing.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)

4-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent Liabilities and assets

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Offset

Financial assets and financial liabilities are offset and the net amount presented in the condensed interim statement of financial position when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Earnings per share

Basic and diluted earnings per share are calculated based on the weighted average number of shares outstanding as at the end of the period.

Segment information

The company is engaged in its activities in one operating sector in the production of cement and is fully operating in the Kingdom of Saudi Arabia. The financial information is not divided into different business segments or geographically.

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 at the exchange rates prevailing at year's end. Gains and losses from settlement and translation of foreign currency transactions are included in the condensed interim statement of profit or loss.

5- INVENTORIES

	30 September 2023	31 December 2022
	SAR	SAR
	(Unaudited)	(Audited)
Goods in process*	343,295,443	297,182,109
Spare parts	22,689,110	20,680,280
Raw materials	4,449,066	6,216,685
Finished goods	6,800,103	5,449,244
Fuel and oil	3,985,434	2,257,068
Packaging and other materials	1,687,738	3,223,756
	382,906,894	335,009,142

*Goods in process mainly comprise of Clinker material. As at 30 September 2023, Clinker inventory balance amounted to SAR 341,1 million (31 December 2022: SAR 295,6 million). Clinker is the main material used by the Company in the production of cement (finished goods). This material is stored in large areas of the plant's land and according to the estimations the company's production management, this material can maintain its quality for a period of five years.

6- MARGIN OF LETTER OF GUARANTEE

The company signed a facility agreement with Riyadh Bank on March 21, 2021, with the possibility that the cash insurance amounting to 50 million SAR, which represents 50% of the cash cover of the letter of guarantee in favor of the Ministry of Industry and Mineral Resources, or that this amount be used as a deposit in exchange for facilities for the purpose of issuing this guarantee. This deposit is paid quarterly at variable rates, as the returns during the nine-month period ending on September 30, 2023 amounted to 707,167 SAR, and during the second quarter of 2023, the company received a written letter from the Ministry of Industry and Mineral Resources to release the bank guarantee amounting to 100 million SAR, and the amount of the bank guarantee amounting to 50 million SAR was received on April 12, 2023, bringing the total value of the deposit as of September 30, 2023, the amount of nil. (December 31, 2022 : the amount of 51,034,237 SAR).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)

7- ACCOUNTS RECEIVABLE, PREPAID EXPENSES AND OTHER DEBTORS, NET

	30 September 2023	31 December 2022
	SAR	SAR
	(Unaudited)	(Audited)
Accounts receivable	9,176,740	7,583,811
(Less): Allowance of expected credit loss	(872,929)	(872,929)
Net accounts receivable	8,303,811	6,710,882
Prepaid expenses	11,609,771	13,178,224
(Less): Legal case impairment	(10,000,000)	(10,000,000)
	9,913,582	9,889,106
Advances to contractors and suppliers	1,062,730	1,099,787
Other	179,384	-
	11,155,696	10,988,893

Below is the movement in provision for expected credit losses:

	30 September 2023	31 December 2022
	SAR	SAR
	(Unaudited)	(Audited)
Balance at the beginning of the period/ year	872,929	430,703
Charged during the period/ year	-	442,226
Balance at the end of the period/ year	872,929	872,929

8- STATUTORY RESERVE

As per the Regulations for Companies in Saudi Arabia, and the articles of association of the company a statutory reserve of 10% of net income must be appropriated until the reserve equals 30% of the share capital. The reserve is not available for distribution as dividends to Shareholders.

9- SAUDI INDUSTRIAL DEVELOPMENT FUND LOAN

Below is the movement in SIDF loan is as follows:

	30 September 2023	31 December 2022
	SAR	SAR
	(Unaudited)	(Audited)
Balance at the beginning of the period/ year	323,000,000	378,000,000
Loan payments during the period/ year	-	(55,000,000)
Balance at the end of the period/ year	323,000,000	323,000,000
(Less): Deferred administrative financing costs	(11,063,514)	(5,369,282)
Balance at the end of the period/ year	311,936,486	317,630,718
SIDF loan: current portion	35,834,722	111,572,279
SIDF loan - non-current portion	276,101,764	206,058,439

- On 21 May 2014, the Company signed long-term loan agreement with the Saudi Industrial Development Fund (SIDF) At an amount of SAR 678,000,000 to finance establishing a cement production plant. The loan is secured by mortgage the Company's buildings, machines and equipment to the Fund. The loan agreement included covenants regarding maintaining some financial ratios. The loan will be paid in 16 installments. The first installment is due on 15 Safar 1439H (4 November 2017) and the last installment is due on 15 Shaban 1446 H (14 February 2025).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)

9- SAUDI INDUSTRIAL DEVELOPMENT FUND LOAN (CONTINUED)

- On 23 Dhu al-Qi'dah 1438 H (15 August 2017), a letter was signed to amend the original terms the loan which included decreasing the loan amount to SAR 656,876,000, amending the payments to be 15 unequal semi-annual installments and amending first installment due date to be 15 Shaban 1439H (1 May 2018) without amending the last installment due date.
- Deferred finance costs represent fee deducted in advance upon receipt of the loan. These fees are amortized over the term of the related loan using the effective interest rate. Follow-up fees have incurred in these loans.
- During the third quarter of the current year, a rescheduling agreement was concluded between the company and the Saudi Industrial Development Fund, provided that the loan repayment period will be extended, as the remaining part will be paid in (8) semi-annual installments, with the first installment being paid on Safar 15, 1446 H (corresponding to 19 August 2024), and the last installment of the loan will be on Shaaban 15, 1449 H (corresponding to January 12, 2028).
- In accordance with the requirements of International Financial Reporting Standard No. (9), the company studied whether the rescheduling represents a fundamental modification in the terms of the existing financial obligation. It was found from that study that it does not represent a fundamental modification in the terms of the loan, and the company recorded gains of 8,761,365 Saudi riyals in the statement of Profit or loss and other comprehensive income, which represents the difference between the present discounted value of the cash flows under the new terms, using the original effective interest rate, and the discounted present value of the remaining cash flows of the financial obligation according to the original terms.

Below are maturities of SIDF loan after rescheduling:

Year	30 September 2023 SAR (Unaudited)	31 December 2022 SAR (Audited)
2023	-	115,000,000
2024	40,000,000	134,000,000
2025	80,000,000	74,000,000
2026	80,000,000	-
2027	80,000,000	-
2028	43,000,000	-
	323,000,000	323,000,000

10- ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER PAYABLES

	30 September 2023 SAR (Unaudited)	31 December 2022 SAR (Audited)
Contractors and suppliers	20,356,347	30,196,359
Exploitation fees - Ministry of Industry and Mineral Resources (A)	37,254,498	29,683,958
Retention amounts for maintenance works (B)	5,365,300	5,365,300
Follow-up fees of SIDF Loan (C)	3,504,360	2,050,170
Accrued expenses	4,575,654	2,919,558
Value added tax and withholding tax	670,253	320,198
Due to employees	1,972,233	1,798,315
Advances from customers	1,049,263	660,793
	74,747,908	72,994,651

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)

10- ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER PAYABLES (CONTINUED)

- A) The amount represent due to Ministry of Industry and Mineral Resources, according to the license granted to the Company for the exploitation of Limestone in the licensed area.
- B) The Amount represents the provision charged for maintenance of the company's silos and production line during the subsequent period.
- C) SIDF loan follow-up fees represent amounts due on the loan granted by the SIDF to the Company for the project, in accordance with the agreement signed with SIDF (note 9).

11- EARNING PER SHARE

Basic and diluted earnings per share are calculated from the net income per ordinary share by dividing the net income for the period by the weighted average number of shares outstanding as at the end of the period amounted to 55,000,000 shares (31 December 2022: 55,000,000 shares).

12- LIQUIDITY RISKS

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments that the company commits to in the interest of others.

To reduce the liquidity risk and associated losses which may affect the business of the Company, the company maintains, wherever possible, sufficient highly liquid current assets in all business conditions. The Company avoids financing long-term capital requirements through short-term borrowing. Long-term projects are currently funded with long-term loans only. The Company has a highly dynamic cash flow policy and a system by which it can estimate the maturity dates of its liabilities and develop appropriate plans to provide the required funding to meet these liabilities in a timely manner.

The following is the maturities of assets and liabilities as at 30 September 2023 (Unaudited):

	3 months or less SAR	More than 3 months to 1 year SAR	More than 1 year up to 10 years SAR	No specific maturity dates SAR	Total SAR
۳۰ September 2023					
Assets					
Short term time deposit	20,000,000	-	-	-	20,000,000
Accounts receivable	9,176,740	-	-	-	9,176,740
Total	29,176,740	-	-	-	29,176,740
Liabilities					
Saudi Industrial Development Fund (SIDF) Loan	-	40,000,000	283,000,000	-	323,000,000
Provision for dismantling, removing and rehabilitation of areas subject to franchise license	-	-	4,064,986	11,769,238	15,834,224
Lease liabilities	84,571	404,564	268,373	-	757,508
Employees benefit obligations	-	-	-	3,205,226	3,205,226
Accounts payable, accrued expenses and other creditors	74,747,908	-	-	-	74,747,908
Zakat provision	-	7,061,564	-	-	7,061,564
Total	74,832,479	47,466,128	287,333,359	14,974,464	424,606,430

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)

12- LIQUIDITY RISKS (CONTINUED)

The following is the maturities of assets and liabilities as at 31 December 2022 (Audited):

31 December 2022	3 months or less SAR	More than 3 months to 1 year SAR	More than 1 year up to 10 years SAR	No specific maturity dates SAR	Total SAR
Assets					
Margin of letter of guarantee	-	-	-	51,034,237	51,034,237
Accounts receivable	7,583,811	-	-	-	7,583,811
Total	7,583,811	-	-	51,034,237	58,618,048
Liabilities					
Saudi Industrial Development Fund (SIDF) Loan	55,000,000	60,000,000	208,000,000	-	323,000,000
Provision for dismantling, removing and rehabilitation of areas subject to franchise license	-	-	3,772,493	11,063,485	14,835,978
Lease obligations	171,431	798,574	566,846	-	1,536,851
Employees benefit obligations	-	-	-	3,080,014	3,080,014
Accounts payable, accrued expenses and other credit balances	72,994,651	-	-	-	72,994,651
Zakat provision	-	8,050,091	-	-	8,050,091
Total	128,166,082	68,848,665	212,339,339	14,143,499	423,497,585

13- DIVIDENDS

- On 9 Shawwal 1443 H corresponding to 10 May 2022 the Ordinary General Assembly held on that date approved the Board of Directors' recommendation to distribute dividends for the second half of the fiscal year 2021 at the rate of 25 halalas per share, which represents 2.5% of the nominal value of the share at an amount of SAR 13,750,000.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)

14- CORRECTION OF PRIOR YEARS ERRORS

- During 2022, the company found that there was an error in calculating the accrual of the limestone exploitation expense, which is due in favor of the Ministry of Industry and Mineral Resources, as a result of the issuance of updating the executive regulations of the new mining investment system on 9 Jumada Al-Awwal 1442 H (corresponding to 24 December 2020), which the company did not implement. Accordingly, the company decided during the fourth quarter of the year 2022 to amend that error by amending the comparative figures for the year 2022, after evaluating the relevant effects on each of the cost of revenues, accrued expenses, inventory, and net profit for the year, and the effect of adjusting this was on the net profit for the year ended on 31 December 2021 with an amount of SAR 3,424,223 which is in line with the requirements of International Accounting Standard No. (8) "Accounting Policies, Changes in Accounting Estimates and Accounting Errors".
- Since the adjustments arising from the above mentioned matters were recognized during the financial statements for the year ended on 31 December 2022, so this necessitated that this be amended, with regard to the comparative figures included in interim condensed statement of profit or loss and other comprehensive income for the period ended on September 30, 2022, the following tables below summarize the impact:

<u>Interim condensed statement of profit or loss and other comprehensive income</u>	<u>For the nine-month period ended 30 September 2022</u>		
	<u>Balance before adjustment</u>	<u>Adjustment</u>	<u>Restated Balance</u>
	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>
Cost of sale	(123,170,120)	857,739	(122,312,381)
Gross profit	56,128,829	857,739	56,986,568
Operating profit	44,883,876	857,739	45,741,615
Profit before zakat	34,745,289	857,739	35,603,028
Net profit for the period	28,445,289	857,739	29,303,028
Total comprehensive income for the period	29,679,765	857,739	30,537,504
Basic and diluted earnings per share in net profit for the period	0,52	0,01	0,53
<u>Interim condensed statement of cash flows</u>	<u>For the nine-month period ended 30 September 2022</u>		
	<u>Balance before adjustment</u>	<u>Adjustment</u>	<u>Restated Balance</u>
	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>
Cashflows from operating activities			
Net profit for the period before Zakat	34,745,289	857,739	35,603,028
Inventory	(41,867,157)	5,777,470	(36,089,687)
Accounts payable, accrued expenses and other credit balances	5,280,385	4,919,731	10,200,116
	<u>As at 1 January 2022</u>		
<u>Interim condensed statement of changes in equity</u>	<u>Balance before adjustment</u>	<u>Adjustment</u>	<u>Restated Balance</u>
	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>
Retained earnings	169,685,593	3,424,223	173,109,816

15- SUBSEQUENT EVENTS

Management believe there were no other significant events subsequent to 30 September 2023 that are expected to have a significant impact on these condensed interim financial statements as at 30 September 2023.

16- APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the board of directors on 16 Rabi Al-Thani, 1445 (H) corresponding 31 October 2023 (G).