

**NORTHERN REGION CEMENT COMPANY  
(SAUDI JOINT STOCK COMPANY)  
INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE THREE-MONTH AND NINE-MONTH  
PERIODS ENDED SEPTEMBER 30, 2022 (UNAUDITED)  
TOGETHER WITH INDEPENDENT AUDITOR'S LIMITED  
REVIEW REPORT**

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## INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the **Shareholders of The Northern Region Cement Company**  
(Saudi Joint Stock Company)

### Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Northern Region Cement Company** (a Saudi Joint Stock Company) "the company" and its subsidiaries collectively referred to together as the "Group", as of September 30, 2022, and the related interim condensed consolidated statement of profit or loss and the other comprehensive income for the three-month and nine-month periods then ended, interim condensed consolidated statements of changes in shareholders' equity and interim condensed consolidated cash flows for nine months period then ended, and a summary of significant accounting policies and other explanatory notes.

The company's management is responsible for preparing and presenting these interim condensed consolidated 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 interim condensed consolidated financial statements based on our review.

### Scope of Review:

We conducted our review in accordance with the International Standard on Review Engagements No. (2410) Review of interim Financial Information performed by the independent auditor of the entity, endorsed in the Kingdom of Saudi Arabia. A review of the interim condensed consolidated financial statements consists of making inquiries, primarily, to those 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 the International Standards of Auditing endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would be become aware of all significant matters that might be identified in an audit. Accordingly, we do not express such an audit opinion.

### Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements as of September 30, 2022 have not been prepared in all material respects, in accordance with the International Accounting Standard No. 34 (Interim Financial Report) endorsed in the Kingdom of Saudi Arabia.

For Al-Kharashi Company



**Abdullah S. Al Misned**  
License No. (456)



Riyadh:  
Rabi-Al-Thani 9, 1444 H  
November 3, 2022 G



**Northern Region Cement Company**  
**(Saudi Joint Stock Company)**  
**Interim condensed consolidated statement of financial position (unaudited)**  
**As of September 30, 2022**  
**(All amounts are in Saudi Riyals unless otherwise stated)**

	Note	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
<b>Assets</b>			
<b>Non-current assets:</b>			
Property, plant and equipment, net		1,861,643,883	1,832,520,955
Intangible assets, net	6	553,244,595	552,986,071
Right -of- use assets, net		3,376,609	3,791,742
Due from a related party	10	99,962,272	99,962,272
Investment in associate company, net	7	54,554,266	38,642,313
<b>Total non-current assets</b>		<b>2,572,781,625</b>	<b>2,527,903,353</b>
<b>Current assets:</b>			
Inventory	8	623,587,902	514,377,967
Prepayments and other debit balances		52,982,788	59,525,760
Trade receivables, net	9	72,696,071	86,686,991
Due from related parties	10	25,879,541	29,531,452
Notes receivable		39,255,923	28,146,593
Cash and cash equivalents		17,681,500	18,294,771
<b>Total current assets</b>		<b>832,083,725</b>	<b>736,563,534</b>
<b>Total assets</b>		<b>3,404,865,350</b>	<b>3,264,466,887</b>
<b>Share holders' Equity and Liabilities</b>			
<b>Share holders' Equity:</b>			
Paid Share capital		1,800,000,000	1,800,000,000
Statutory reserve		144,875,054	144,875,054
Retained earning		303,682,708	273,252,866
Employees defined benefit obligations remeasurement reserve		(3,163,239)	(3,163,239)
Foreign currency translation reserve		(6,456,314)	(5,686,166)
<b>Total shareholders' equity of the parent</b>		<b>2,238,938,209</b>	<b>2,209,278,515</b>
Non-controlling equity		4,585,360	4,331,385
<b>Total Share holders' Equity</b>		<b>2,243,523,569</b>	<b>2,213,609,900</b>
<b>liabilities</b>			
<b>Non-current liabilities:</b>			
Non-current portion of long-term loans	11	398,518,182	264,863,636
Non-current portion of leases liabilities		3,127,279	3,467,920
Employees defined benefit obligations provision		19,912,138	20,030,311
<b>Total non-current liabilities</b>		<b>421,557,599</b>	<b>288,361,867</b>
<b>Current liabilities:</b>			
Short-term murabha	11	408,500,002	460,253,378
Current portion of long-term loans	11	84,545,455	94,545,455
Trade and notes payables		104,982,013	93,841,529
Accrued expenses and other credit balance		112,518,990	82,474,807
Current portion of leases liabilities		459,322	699,322
Zakat and income tax provision	12	28,778,400	30,680,629
<b>Total current liabilities</b>		<b>739,784,182</b>	<b>762,495,120</b>
<b>Total liabilities</b>		<b>1,161,341,781</b>	<b>1,050,856,987</b>
<b>Total shareholders' equity and liabilities</b>		<b>3,404,865,350</b>	<b>3,264,466,887</b>

CFO

VP

CEO

Managing Director

The accompanying notes are an integral part of these Interim condensed consolidated financial statements.

**Northern Region Cement Company**

**(Saudi Joint Stock Company)**

**Interim condensed consolidated statement of profit or loss and other comprehensive income (unaudited)**

**For the three-month and nine-month periods ended September 30, 2022**

**(All amounts are in Saudi Riyals unless otherwise stated)**

	For the three-month period ended		For the nine-month period ended	
	30 September, 2022	30 September, 2021	30 September, 2022	30 September, 2021
Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	166,258,052	128,102,214	432,940,365	435,297,856
Cost of sales	(104,253,925)	(86,087,170)	(252,659,043)	(297,122,229)
<b>Gross profit</b>	<b>62,004,127</b>	<b>42,015,044</b>	<b>180,281,322</b>	<b>138,175,627</b>
<b>Operating Expenses:</b>				
Selling and distribution expenses	(18,781,785)	(9,359,559)	(55,513,424)	(24,070,586)
General and administrative expenses	(10,397,635)	(11,152,879)	(28,864,793)	(29,598,946)
Impairment in value of trade receivable	-	-	(476,432)	-
<b>Profit from operations</b>	<b>32,824,707</b>	<b>21,502,606</b>	<b>95,426,673</b>	<b>84,506,095</b>
Finance cost	(7,712,835)	(4,355,790)	(18,775,374)	(13,975,913)
Share in net results of associate company	8,706,828	5,700,581	19,742,429	14,711,639
Other income\expenses, net	424,190	530,616	(1,445,063)	780,447
<b>Profit before zakat and income tax</b>	<b>34,242,890</b>	<b>23,378,013</b>	<b>94,948,665</b>	<b>86,022,268</b>
Zakat	(4,500,000)	(3,000,000)	(13,500,000)	(9,000,000)
Income taxes of subsidiaries	(1,996,272)	(1,907,401)	(5,421,784)	(5,442,056)
Government contributions of subsidiaries	(111,973)	(112,196)	(301,209)	(320,120)
<b>Net profit for the period</b>	<b>27,634,645</b>	<b>18,358,416</b>	<b>75,725,672</b>	<b>71,260,092</b>
<b>Net profit for the period attributable to:</b>				
The parent company's shareholders	27,558,772	18,361,659	75,429,842	70,934,191
Non-controlling interest	75,873	(3,243)	295,830	325,901
	<b>27,634,645</b>	<b>18,358,416</b>	<b>75,725,672</b>	<b>71,260,092</b>
<b>Other comprehensive income\loss items:</b>				
<b>Other comprehensive income\loss items that will later be reclassified to profit or loss:</b>				
Gain\Loss in the translation of financial statements in foreign currencies	331,260	(338,381)	(812,003)	(1,130,505)
<b>Total other comprehensive income\Loss for the period</b>	<b>331,260</b>	<b>(338,381)</b>	<b>(812,003)</b>	<b>(1,130,505)</b>
<b>Total comprehensive income for the period</b>	<b>27,965,905</b>	<b>18,020,035</b>	<b>74,913,669</b>	<b>70,129,587</b>
<b>Total comprehensive income for the period attributable to:</b>				
The parent company's shareholders	27,872,957	18,040,719	74,659,694	69,861,957
Non-controlling interest	92,948	(20,684)	253,975	267,630
	<b>27,965,905</b>	<b>18,020,035</b>	<b>74,913,669</b>	<b>70,129,587</b>
<b>Earnings per share</b>				
Basic and diluted earnings per share from profit from operations	0.18	0.12	0.53	0.47
Basic and diluted earnings per share from profit before zakat & income tax	0.19	0.13	0.53	0.48
Basic and diluted earnings per share from net profit for the period	0.15	0.10	0.42	0.40

CFO

VP

CEO

Managing Director

The accompanying notes are an integral part of these Interim condensed consolidated financial statements.



**Northern Region Cement Company**  
**Saudi Joint Stock Company**  
**Interim condensed consolidated statement of Changes in shareholders' Equity**  
**For the nine-month period ended September 30, 2022 (unaudited)**  
**(All amounts are in Saudi Riyals unless otherwise stated)**

	Paid Share Capital	Statutory Reserve	Retained Earnings	Employees defined benefit obligations remeasurement reserve	Foreign currency translation reserve	Total shareholders' equity of the parent	Non- Controlling Interest	Total Share holders' Equity
<b>Balance as of January 1, 2021 (Audited)</b>	1,800,000,000	134,268,823	271,244,784	(1,350,423)	1,465,309	2,205,628,493	5,099,528	2,210,728,021
Prior years adjustments	-	-	(4,345,780)	-	-	(4,345,780)	-	(4,345,780)
Dividends paid	-	-	(90,000,000)	-	-	(90,000,000)	-	(90,000,000)
Net profit for the period	-	-	70,934,191	-	-	70,934,191	325,901	71,260,092
Foreign currency translation loss for the period	-	-	-	-	(1,072,234)	(1,072,234)	(58,271)	(1,130,505)
<b>Balance as of September 30, 2021 (Unaudited)</b>	<b>1,800,000,000</b>	<b>134,268,823</b>	<b>247,833,195</b>	<b>(1,350,423)</b>	<b>393,075</b>	<b>2,181,144,670</b>	<b>5,367,158</b>	<b>2,186,511,828</b>
<b>Balance as of January 1, 2022 (Audited)</b>	1,800,000,000	144,875,054	273,252,866	(3,163,239)	(5,686,166)	2,209,278,515	4,331,385	2,213,609,900
Dividends paid (Note 19)	-	-	(45,000,000)	-	-	(45,000,000)	-	(45,000,000)
Net profit for the period	-	-	75,429,842	-	-	75,429,842	295,830	75,725,672
Foreign currency translation loss for the period	-	-	-	-	(770,148)	(770,148)	(41,855)	(812,003)
<b>Balance as of September 30, 2022 (Unaudited)</b>	<b>1,800,000,000</b>	<b>144,875,054</b>	<b>303,682,708</b>	<b>(3,163,239)</b>	<b>(6,456,314)</b>	<b>2,238,938,209</b>	<b>4,585,360</b>	<b>2,243,523,569</b>

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CEO



Managing Director



The accompanying notes are an integral part of these Interim condensed consolidated financial statements.

**Northern Region Cement Company**  
**(Saudi Joint Stock Company)**  
**Interim condensed consolidated statement of cash flow (unaudited)**  
**For the nine-month period ended September 30, 2022**  
**(All amounts are in Saudi Riyals unless otherwise stated)**

		<b>For the nine-month period ended</b>	
		<b>30 September, 2022</b>	<b>30 September, 2021</b>
	<b>Note</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities:</b>			
Profit before zakat and income tax		94,948,665	86,022,268
<b>Adjustments to non-cash transaction</b>			
Depreciation and Amortization		54,586,452	55,817,769
Interest on leases obligations		109,359	97,536
Share in net results of associate company	7	(19,742,429)	(14,711,639)
Impairment in value of trade receivable		476,432	-
Employee defined benefit obligation expenses		739,665	1,809,762
		<b>131,118,144</b>	<b>129,035,696</b>
<b>Changes in working capital</b>			
Trade and notes receivables		2,405,158	7,910,496
Inventory		(109,209,934)	(10,844,909)
Due from related Parties		3,651,911	435,865
Prepayments and other debit balances		6,542,971	(4,222,792)
Trade and notes Payables		11,140,484	(15,108,613)
Accrued expenses and other credit balances		30,044,187	3,454,894
<b>Net cash flow generated from changes in working capital</b>		<b>75,692,921</b>	<b>110,660,637</b>
Zakat and income tax paid		(21,125,222)	(22,520,115)
Employee defined benefit obligation payment		(857,842)	(3,281,654)
<b>Net cash flow generated from operating activities</b>		<b>53,709,857</b>	<b>84,858,868</b>
<b>Cash flows from investing activities:</b>			
Additions to property, plant and equipment		(6,949,888)	(20,604,458)
Additions to projects under constructions		(74,601,549)	(51,534,576)
Additions to intangible assets		(2,001,334)	(21,649)
Dividends received from investing in associate company	7	3,830,476	6,931,149
<b>Net cash flow used in investing activities</b>		<b>(79,722,295)</b>	<b>(65,229,534)</b>
<b>Cash flows from financing activities:</b>			
Payments of loans	11	(811,598,830)	(45,415,569)
Proceeds from loans	11	883,500,000	126,200,000
Dividends paid		(45,000,000)	(90,000,000)
Lease obligation payments		(690,000)	(300,000)
Non-controlling interest		(41,855)	(58,271)
<b>Net cash flow generated from (used in) financing activities</b>		<b>26,169,315</b>	<b>(9,573,840)</b>
<b>Net change in cash and cash equivalents</b>		<b>156,877</b>	<b>10,055,494</b>
Cash and cash equivalents at the beginning of the period		18,294,771	27,808,945
Impact of change in the exchange rate of translating financial statements in foreign currencies		(770,148)	(1,072,234)
<b>Cash and cash equivalents at the end of the period</b>		<b>17,681,500</b>	<b>36,792,205</b>
<b>Non-cash transaction</b>			
Prior year adjustments against accrued expenses and other credit balances		-	(4,345,780)
Transfers from projects in progress to property, plant and equipment		-	41,005,528
Allowance for doubtful debt used against trade receivables		(476,432)	-

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CEO

Managing Director

The accompanying notes are an integral part of these Interim condensed consolidated financial statements.



**1- Company information:**

**A. Establishing the company**

**Northern Region Cement Company (SA)** is a Saudi joint stock company, registered in Tarif, Saudi Arabia under the Commercial Register No.3451002618 on 19 Safar 1431 H (March 19, 2006).

**B. The company's share capital**

The company put the company's shares to public offering and transferred it from a closed Saudi joint stock company to a joint stock company with its rights and obligations, a decision was issued by the Capital Market Authority No. 4/585 on 23 Rabe Awal 1434H (February 4, 2013) to approve the announcement of the company's transformation from a closed Saudi joint stock company to a Saudi joint stock company. The company has put forward 50% of its shares for the IPO to complete the rest of its capital by offering 54 million shares worth 540 million SR, bringing the company's capital to SR 1,800 SR million divided into 180 million shares with a nominal value of 10 Saudi riyals.

**C. The nature of the company's activity**

The main activity of the company is the production of ordinary Portland cement and resisting and managing and operating Portland cement factories of all kinds and wholesale and retail in the company's products and building materials including import and export abroad, rock pieces and white cement under license 900 issued on 28 Rabi-Al-Thani 1426 H 5 June 2005. On Rabi-Al-Thani 7, 1442 AH, the license was amended by Resolution No. 421102108487 to include white cement within the company's activities.

**D. Fiscal year**

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

**E. Presentation currency and activity**

The financial statements are prepared in Saudi Riyals, which is the currency of activity and offer for the company, all the numbers are rounded to the nearest Riyal, unless otherwise indicated.

**2- Group information**

The interim condensed consolidated financial statements include the financial statements of The Northern Region Cement Company and the interim condensed consolidated financial statements of all companies controlled by the company (its subsidiaries) that were established or acquired as of September 30, 2018. They are as follows:

Company Name	Country	Legal entity	Percentage of ownership (%)	
			As of	
			<u>September 30,</u>	<u>December 31,</u>
			<u>2022</u>	<u>2021</u>
North Cement (1)	The Hashemite Kingdom of Jordan	Public joint stock	99.382	99.382
Deyaar Nagd for contracting & Trading Ltd. Company (2)	U.A. E	Limited liability	100	100
Sama Yamamah (2)	U.A. E	Limited liability	100	100
North Gulf (2)	U.A. E	Limited liability	100	100
Through The North for The Cement and Building Materials (2)	U.A. E	Limited liability	100	100
Al Hazm for cement trading and derivatives Limited (2)	U.A. E	Limited liability	100	100
Um-Qasr Northern Cement Company Ltd. (3)	U.A. E	Limited liability	100	100
Um-Qasr Northern Cement Company Ltd. (3)	IRAQ	Limited liability	94.845	94.845



**2- Group information (Continued):**

- Northern Cement's consolidated financial statements include the Hashemite Kingdom of Jordan. The financial statements of its subsidiary (White Stars Mining Investment Ltd) which 100% owned by the subsidiary, and for the purposes of preparing these interim condensed consolidated financial statements, all important balances and operations have been excluded and settled between the company and its subsidiary (Northern Cement Jordan).
- In addition to the profits (losses) resulting from these operations with the subsidiary, the subsidiary's activity includes the clinker industry, grinding, cement industry and the implementation of industrial projects.
- During the last year, the participation in The Northern Cement Company of The Hashemite Kingdom of Jordan was increased to buy shares through the subsidiaries of Deyaar Nagd for contracting & Trading Ltd. Company and Sama Al Yamamah.
- The above subsidiaries are private-purpose companies established in the United Arab Emirates for the purpose of owning stakes in Northern Cement, a public joint stock company registered in Amman, Jordan.
- During the first quarter of 2018, the company acquired the entire shares Um-Qasr Northern Cement Company Ltd, which is registered in The Jebel Ali area of Dubai with a capital of AED 6,064,527. Which in turn owns 70% of the shares of Um-Qasr Northern Cement Company Ltd, an Iraqi limited liability company that has the right to implement a contract to qualify, operate and participate in the production of basra cement plant in the Republic of Iraq, while the subsidiary of Northern Cement - Jordan owns 20% of the shares of the Iraqi company referred to above.

**3- The Foundations of the preparation of interim condensed consolidated financial statements:**

**3-1 Statement of commitment**

These interim condensed consolidated financial statements were prepared in accordance with IAS 34 (Interim Financial Reports) endorsed in the kingdom of Saudi organization for certified public accountants (SOCPA)

These interim condensed consolidated financial statements don't include all the information and disclosures required to prepare a full set of the consolidated financial statements. Hence, these interim condensed consolidated financial statements should be read on conjunction with the group consolidated financial statements for the year ended December 31, 2021

**3-2 Accounting basis**

These interim condensed consolidated financial statements are prepared in accordance with the principle of historical cost and using Accrual basis and the concept of continuity of activity, excluding financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss and investments in associate companies which are recorded in accordance with the method of equity.

**3-3 Use of estimation and judgments.**

The preparation of these consolidated financial statements requires management to use provisions and estimates that affect the application of accounting policies and the amounts listed for assets, liabilities, revenues, and expenses. Actual results may differ from these estimates. The areas of management are important in the application of accounting policies and important sources of estimates and uncertainties that have a substantial impact similar to those described in the consolidated financial statements of the previous year.

**3-4 The basis for consolidating interim condensed consolidated financial statements.**

The interim condensed consolidated financial statements include the financial statements of the parent company, Northern Region Cement Company (a Saudi Joint Stock Company) "the company" as of September 30, 2022. Control over the invested business is achieved when it has the right to obtain different returns as a result of its participation in the investee company, and it has the ability to influence these returns by exercising its influence over the investee company. In particular, the Group controls the investee if, and only if, the Group has Leverage over the investee company



**3- The Foundations of the preparation (Continued):**

**3-4 The basis for consolidating interim condensed consolidated financial statements (Continued):**

For example: it has the right that gives it the current power to control the activities of the investee company.

- Exposure to risks and the right to obtain variable returns as a result of its participation in the investee company.
- The ability to use its influence over the investee company to affect its returns.

In general, there is an assumption that the majority of voting rights will lead to control. To support this assumption and when the Group has a lower level than the majority of voting rights or similar rights in the investee company, the Group considers all relevant facts and circumstances when assessing whether the Group has control over the investee company, and these facts and circumstances include the following:

- Contractual agreements with voting rights holders of the investee company.
- Rights resulting from other contractual agreements.
- The Group's right to vote and potential voting rights.
- Any additional facts or circumstances that indicate that the Group has or does not have the current ability to control activities related to decision-making, including voting on cases in previous shareholder meetings.

The Group performs a reassessment to ascertain whether it exercises control over the investee company, when facts and circumstances indicate that there is a change in one or more elements of control. Consolidation of a subsidiary begins when the Group has control of the subsidiary and ceases when the Group relinquishes exercising such control.

The assets, liabilities, income, and expenses of the subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date control is transferred to the Group and until the Group relinquishes exercising such control.

Income and each component of comprehensive income relate to the equity holders of the parent company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When it is necessary, the financial statements of subsidiaries are amended so that their accounting policies are prepared in line with the Group's accounting policies.

All intercompany balances in the Group such as assets, liabilities, equity, income, expenses and cash flows resulting from operations between the Group companies are completely eliminated upon consolidation of the financial statements.

Any change in ownership interests in the subsidiary, without loss of control, is treated as an equity transaction. If the Group loses control over the subsidiary, it will cease to recognize the related assets and liabilities, non-controlling equity and other elements of equity, and the resulting gains or losses are recognized in the consolidated statement of profit or loss. The investment retained is recognized at fair value.

In the event that the Group loses control over the subsidiaries:

- The assets (including goodwill) and liabilities associated with the subsidiary are excluded.
- Exclusion of the present value of any rights not controlled.
- Exclusion of cumulative inventory differences recorded in equity.
- Recognition of the fair value of the assets received.
- Recognition of the fair value of any remaining investments.
- Recognition of any surplus or deficit in profits or losses.

Reclassification of the parent company's share in subsidiaries previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as it becomes a requirement if the Group directly disposes of assets and liabilities.



**3- The Foundations of the preparation (Continued):**

**3-4 The basis for consolidating interim condensed consolidated financial statements (Continued):**

**Associates**

Associates are companies over which the Group exercises significant influence and not joint control or control. In general, this occurs when the Group owns a share of 20% to 50% of the voting rights. The investment in associates is accounted for according to the equity method after initial recognition of cost of investment.

**Equity Method**

Based on the equity method, investments are recognized primarily at cost and subsequently adjusted to reflect the Group's share of profits or losses after the acquisition as profits and losses resulting from the investment in the investee company. The Group's contribution to comprehensive income after the acquisition is also recognized in the statement of comprehensive income. If after reducing the contribution to the investee company to zero, liabilities are recognized only if there is an obligation to support the investee's operating operations or any payments made on behalf of the investee company. Distributions received or receivables from associates and joint ventures are booked to reduce the net value of the investments.

The goodwill related to an associate or joint venture is included in the carrying amount of the investment and is not independently tested for impairment.

The interim condensed consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in the comprehensive income of the investee companies is shown as part of the Group's comprehensive income. In addition, in the event that any change is recognized directly within the equity of the associate or the joint venture, the Group shall recognize its share in any changes, when applicable, in the consolidated statement of changes in owners' equity including unrealized profits and losses resulting from the transactions between the Group and the associate and Joint venture to the extent of the Group's interest in the associate or joint venture. The financial statements of subsidiaries and joint ventures are prepared for the same financial year as the Group.

When necessary, the accounting policies of subsidiaries and joint ventures are presented to be consistent with the Group's policies. After applying the equity method, the Group checks whether it is necessary to prove any impairment loss in the value of its investment in its associate or joint venture. On the date of preparing each financial statement, the Group ensures that there is objective evidence of a decrease in the value of the investment in any associate or joint venture. When such evidence exists, the Group calculates the amount of the decrease as the difference between the recoverable amount of the associate or joint venture and its carrying value, and the loss is recognized as "share in the loss of an associate and a joint venture" in the statement of consolidated profit or loss.

Upon loss of significant influence over the associate or joint control of a joint venture, the Group measures and recognizes the investment to be held at fair value. The difference between the carrying value of the associate or joint venture upon loss of significant influence or joint control and the fair value of the investment retained (and any proceeds of disposal) will be recognized in the statement of consolidated profit or loss.

**Non-controlling interests**

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position and separately from shareholders' equity. Losses applicable to the minority in excess of the minority interest are allocated against the interest of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. A change in the Group's interest in a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

**4- Significant accounting policies:**

The accounting policies applied to these interim condensed consolidated financial statements are the same as those applied to the consolidated financial statements for the fiscal year ended December 31, 2021.



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**5- Segment information**

The company and its subsidiary are managed as a single operational segment in the manufacture and production of cement of all kinds and the company and its subsidiary operate in Saudi Arabia, The Hashemite Kingdom of Jordan and the Iraqi Republic as follows:

	Kingdom of Saudi Arabia	The Hashemite Kingdom of Jordan	The Iraqi Republic	Adjustments and deletions	Total
<b>As of September 30, 2022:</b>					
Property, plant and equipment, net	1,697,289,552	159,404,406	4,949,925	-	<b>1,861,643,883</b>
Total assets	3,348,887,001	531,270,569	111,269,948	(586,562,168)	<b>3,404,865,350</b>
Total liabilities	1,109,948,792	152,783,344	72,296,614	(173,686,969)	<b>1,161,341,781</b>
<b>As of December 31, 2021:</b>					
Property, plant and equipment, net	1,669,383,070	163,137,885	-	-	<b>1,832,520,955</b>
Total assets	3,224,400,857	441,334,339	92,046,195	(493,314,504)	<b>3,264,466,887</b>
Total liabilities	1,015,122,342	48,156,945	55,155,146	(67,577,446)	<b>1,050,856,987</b>
<b>For the nine months period ended September 30, 2022:</b>					
Revenue	331,608,583	167,847,407	91,285,920	(157,801,545)	<b>432,940,365</b>
Net profit for the period	75,429,842	23,728,715	2,894,288	(26,327,173)	<b>75,725,672</b>
<b>For the nine months period ended September 30, 2021:</b>					
Revenue	243,919,735	151,335,087	80,455,110	(40,412,076)	<b>435,297,856</b>
Net profit for the period	42,463,889	25,535,072	3,261,131	-	<b>71,260,092</b>

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**6- Intangible assets, net**

	<b>Goodwill *</b>	<b>Plant Franchise**</b>	<b>IT Software***</b>	<b>License</b>	<b>Total</b>
<b>Cost</b>					
Balance as of January 1, 2022	506,157,403	51,098,899	8,442,732	789,255	566,488,289
Additions during the period	-	2,001,334	-	-	2,001,334
<b>Balance as of September 30, 2022</b>	<b>506,157,403</b>	<b>53,100,233</b>	<b>8,442,732</b>	<b>789,255</b>	<b>568,489,623</b>
<b>Accumulated amortization</b>					
Balance as of January 1, 2022	-	(4,769,231)	(8,425,366)	(307,621)	(13,502,218)
Charged for the period	-	(1,538,629)	(7,427)	(196,753)	(1,742,810)
<b>Balance as of September 30, 2022</b>	<b>-</b>	<b>(6,307,860)</b>	<b>(8,432,793)</b>	<b>(504,374)</b>	<b>(15,245,028)</b>
<b>Net book value</b>					
<b>As of September 30, 2022</b>	<b>506,157,403</b>	<b>46,792,373</b>	<b>9,939</b>	<b>284,881</b>	<b>553,244,595</b>
As of December 31, 2021	<b>506,157,403</b>	<b>46,329,668</b>	<b>17,366</b>	<b>481,634</b>	<b>552,986,071</b>

**\*Goodwill:**

Goodwill represents the fame resulting from the group's acquisition of equity in Northern Cement during the third quarter of 2011, a public joint stock company registered in Amman, Jordan, on May 2, 2007.

Management conducts an impairment test to ensure that there is no impairment at the end of each financial year. The management found that no needs to be recorded impairment loss of value had resulted from this test.

The recoverable value is determined on the basis of the information used to calculate the current value of the expected five-year cash flow based on the management-approved budget.

Sensitivity to changes in assumptions:

Management believes that there are no reasonable potential changes in any of the underlying assumptions below that could result in a reduction in the recoverable value of the cash-generating unit, including substantially the reputation for its book value.

Basic assumptions used to calculate the present value:

<b>Basic assumptions</b>	<b>Percentage</b>
Discount rate	15%
Average estimated profit rate after tax to sales	32.10%
Average annual sales growth rate	15.20%

**Plant franchises:**

A subsidiary has entered into an agreement with the General Cement Southern Company (one of the companies of the Ministry of Industry and Minerals in the Republic of Iraq) to rehabilitate and operate the Basra cement plant for 26 years from the end of the rehabilitation period, in exchange for free shares of cement produced for the Iraqi government.

**Software:**

Software Intangible assets are programs and payments for the development of these programs that are extinguished over the estimated production life of 4years.



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7- Investment in associate company, net

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
<b>Investment:</b>		
Balance at the beginning of the period/year	38,642,313	30,098,621
Dividends received	(3,830,476)	(11,665,931)
Share in net results of associate company	19,742,429	20,209,623
<b>Balance at the end of the period/year</b>	<b>54,554,266</b>	<b>38,642,313</b>
<b>Impairment in value</b>		
Balance at the beginning of the period/year	-	(8,405,537)
Reversal of investments impairment in value of investment	-	8,405,537
<b>Balance at the end of the period/year</b>	<b>-</b>	<b>-</b>
<b>Net</b>	<b>54,554,266</b>	<b>38,642,313</b>

- The Group had invested in 50% of the ownership rights of Cement Experts Development company (LTD) registered in Amman - Hashemite Kingdom of Jordan and the group's activity includes investment, management and development of industrial, administrative and mining projects where cement experts for development invest in directly in the pioneer contracting and general trade company. Rehabilitation of industrial projects limited (Republic of Iraq) where the latter group signed a contract with the Iraqi government to rehabilitate and operate the Kubaisa cement plant for 26 years in exchange for a free share in production, to be returned to the government after the end of the contract period, and to be completed the rehabilitation period of the project in February 2014,  
During the previous years as a result of unstable political conditions, production at the group plant was suspended and the rehabilitation period of the plant was extended indefinitely, and during the current year the plant was restarted and production started, so the management took the decision to interim refund the previous provision due to improved conditions and resumption of operation.
- Northern Cement Company- Hashemite Kingdom of Jordan (subsidiary group) invests 50% of The Sarh Zamzam Investment Company's capital of JD 100,000 equivalent to SR 530,000.
- The Group fully acquired the Um Qasr Northern Cement Limited, which is listed in Jebel Ali area of Dubai with a capital of AED 10,000 with an amount of SR 6,064,527, Um Qasr Northern Cement Ltd. owns 70% of the shares of Umm Qasr Northern Cement Company, Ltd. An Iraqi limited liability company which has the right to execute a contract to qualify, operate and participate in the production of Basra cement plant in the Republic of Iraq, as the subsidiary group Northern Jordan Cement company owns 20% of the shares of Umm Qasr Northern Company.

8- Inventory

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Raw Materials	283,322,763	219,984,215
Spare parts and consumables	138,257,498	138,459,507
Simi finished Goods	7,245,921	8,666,609
Finished Goods	158,760,863	135,289,492
Goods in transit	28,919,606	4,603,809
Packing materials	7,081,251	7,374,335
	<b>623,587,902</b>	<b>514,377,967</b>



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9- Trade Receivables, net:

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Trade Receivables - Related parties (Note10-2)	20,557,364	51,292,940
Trade Receivables - local	17,987,282	34,322,112
Trade Receivables – Export	37,011,333	3,931,847
<b>Total</b>	<b>75,555,979</b>	<b>89,546,899</b>
less: Impairment in value of trade receivables	(2,859,908)	(2,859,908)
	<b>72,696,071</b>	<b>86,686,991</b>

- The major balances of the Trade Receivables are covered by bank guarantees and bonds.  
Impairment in value of trade receivables movement is as follows:

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Balance at the beginning of the period/year	2,859,908	2,549,908
Charged during the period/year	476,432	310,000
Used during the period/year	(476,432)	-
<b>Balance at the end of the period/year</b>	<b>2,859,908</b>	<b>2,859,908</b>

10- Related Parties Balances and Transactions:

Related Parties are the group's major shareholders and the facilities under control or with significant influence by those entities.

Related Party	Relationship
Trans Kingdom Investment Company	Founding Contributor
Trans Kingdom National Reconstruction Company, Ltd.	Relationship with a shareholder
Trans Kingdom Saudi Company	Relationship with a shareholder
Global Specialized Transportation Company	Relationship with a shareholder
Aldar for Engineering Consulting Company	Relationship with a shareholder
White Stars Company.	Associate Company
Cement Experts Development Company.	Affiliate Company
Global Cement Industry Company.	Associate Company
Pioneer Trading and Investment Company	Associate Company
Sarh Zamzam company for Project Investment and Rehabilitation	Associate Company

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

Related parties	The nature of the transaction	September 30, 2022	December 31, 2021
		(Unaudited)	(Audited)
<b>A. Transactions with related parties</b>			
Global Specialized Transportation Company	Transportation Services	-	1,361,755
Trans Kingdom Investment Company	Sales	3,972,304	7,977,470
Cement Experts Development Company	Expenses paid on behalf of	-	11,040,837
<b>B. Transactions with senior management officers</b>			
Expenses and allowances of the Board of Directors and its committees		1,326,429	1,260,363

10- Related Parties Balances Transactions (Continued):

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These transactions resulted in the following balances:

**10-1 Due from related parties:**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
*Cement Experts Development Company	111,384,779	123,467,425
Global Specialized Transportation Company	-	2,766,497
Trans Kingdom Investment Company	13,745,476	2,557,683
Sarh Zamzam Investment and Project Rehabilitation Company	293,387	283,948
Global Cement Industry Company	138,191	138,191
Pioneer Trading and Investment Company	186,750	186,750
Trans Kingdom Saudi Company	93,230	93,230
	<b>125,841,813</b>	<b>129,493,724</b>
<b>*Cement Experts Development Company</b>		
The transaction balance due from Cement Experts Development Company	11,422,507	23,505,153
The finance balance due from Cement Experts Development Company	99,962,272	99,962,272
	<b>111,384,779</b>	<b>123,467,425</b>
<b>Due from related parties in the consolidated financial position is classified as follow:</b>		
Current balances	25,879,541	29,531,452
Non-current balances	99,962,272	99,962,272

**10-2 Trade receivable from related parties**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Sarh Zamzam Investment and Project Rehabilitation Company	381,818	381,817
Global Specialized Transportation Company	-	33,909,116
Trans Kingdom National Reconstruction Company Ltd.	20,175,546	17,002,007
	<b>20,557,364</b>	<b>51,292,940</b>

**11- Loans:**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Short-term murabaha	408,500,002	460,253,378
Current portion from long-term loan	84,545,455	94,545,455
Non- Current portion of long-term loan	398,518,182	264,863,636
	<b>891,563,639</b>	<b>819,662,469</b>

**Short-term Murabaha:**

The group has banking facilities in the form of murabaha from several local commercial banks with a total value of SR SAR 656 million as of September 30, 2022 (December 31, 2021: SAR 460) and incurs financing costs at prevailing prices in the market based on interbank offer rates in addition to fixed margin. The management intends to Turn over short-term loans when they are due. The maturity date of the loans is matured from one to seven years.



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**11- Loans (Continued):**

The loans movement is as follow:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Balance at the beginning of the period/year	819,662,469	798,677,788
Proceeds during the period\year	883,500,000	623,753,377
Paid during the period\year	(811,598,830)	(602,768,696)
<b>Balance at the end of the period/year</b>	<b>891,563,639</b>	<b>819,662,469</b>

**12- Zakat and income tax provision:**

- The zakat declarations of the group and its subsidiaries were submitted to the General Authority for Zakat, Income Tax and Customs "the Authority" based on separate financial statements prepared for the purpose of Zakat only.
- The company submitted its zakat declarations until 2021, and the company settled its zakat status until year 2012
- Zakat assessment was issued for the year 2014 claims the company for an amount of 18 million SR, and the appeal was made, and the company's appeal was partially accepted, but the dispute did not end with the aforementioned partial acceptance. The escalation was made with the General Secretariat of the Tax Committees with the case number 24526-2020-z, and it has not been decided until this date.
- Zakat assessment was issued for the years from 2015 to 2017 to claim the company for zakat differences of 55.9 million SR. The appeal was made against it and the company awaits the Authority's response regarding its appeal until this date.
- Zakat assessment was issued for the year 2018 to the company's claim for zakat differences of 14.9 million SR. The appeal was made to it, and the authority rejected the company's appeal, and the dispute was escalated before the General Secretariat for Tax Committees with case number 15327-2020-z. and there is no action for it till now.

The details of zakat, income tax and government contributions are as follows:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Accrued zakat payable	25,175,773	23,773,166
Income tax for a non-Gulf subsidiary	3,496,267	6,628,832
A government contribution tax non-Gulf	106,360	278,631
<b>Total</b>	<b>28,778,400</b>	<b>30,680,629</b>

**Zakat provision movement:**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Balance at the beginning of the period\year	23,773,166	17,828,971
Charged during the period\year	13,500,000	7,309,939
Zakat Provision for prior years	-	14,095,596
Paid during the period\year	(12,097,393)	(15,461,340)
<b>Balance at the end of the period\year</b>	<b>25,175,773</b>	<b>23,773,166</b>

**Details of income tax for non-gulf subsidiaries:**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Balance at the beginning of the period\year	6,628,832	5,197,970
Charged during the period\year	5,421,784	8,026,113
Paid during the period\year	(8,554,349)	(6,595,251)
<b>Balance at the end of the period\year</b>	<b>3,496,267</b>	<b>6,628,832</b>



**12- Zakat and income tax provision (Continued):**

**Movement of a government contribution tax for non-gulf subsidiaries:**

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Balance at the beginning of the period\year	278,631	296,069
Charged during the period\year	301,209	465,112
Paid during the period\year	(473,480)	(482,551)
<b>Balance at the end of the period\year</b>	<b>106,360</b>	<b>278,631</b>

1. The subsidiary company is a non-Gulf company that is subjected to the Income Tax Law at its headquarters in the Kingdom of Jordan at a rate of 14% of tax income after deducting the expenses that the law allows deduction. The company is also subject to government contribution tax in the Kingdom of Jordan, at a rate of 1% of taxable income.
2. The subsidiary company is tax exempted at 50% of taxable income, for a period of ten years starting from the date of commencement of work or actual production of the project.

**13- Earnings per share:**

The calculation of underlying/reduced earnings per share is based on the return on ordinary shareholders and the weighted average number of existing common shares. Earnings per share as of September 30, 2022 was calculated based on the weighted average number of shares held during the year with a number of 180 million shares (December 31, 2021: 180 million shares). There are no potential discounted ordinary shares. Adjusted earnings per share is the same as the underlying profit per share as the Group has no convertible securities or reduced financial instruments to exercise it.

	<b>For the three-month period ended</b>		<b>For the six-month period ended</b>	
	<b>30 September, 2022</b>	<b>30 September, 2021</b>	<b>30 September, 2022</b>	<b>30 September, 2021</b>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Profit from operations	32,824,707	21,502,606	95,426,673	84,506,095
Profit before zakat and income tax	34,242,890	23,378,013	94,948,665	86,022,268
Net profit for the period	27,634,645	18,358,416	75,725,672	71,260,092
Weighted average number of shares	<b>180,000,000</b>	<b>180,000,000</b>	<b>180,000,000</b>	<b>180,000,000</b>
Basic and diluted earnings per share from profit from operations	0.18	0.12	0.53	0.47
Basic and diluted earnings per share from profit before zakat & income tax	0.19	0.13	0.53	0.48
Basic and diluted earnings per share from net profit for the period	0.15	0.10	0.42	0.40

**14- Capital management:**

In order to manage the group's capital, the capital includes equity and all other equity reserves belonging to the group's owners. The main purpose of managing the group's capital is to maximize the value of shareholders' shares. The Group manages and adjusts its capital structure considering changes in economic conditions and financial commitment requirements. To maintaining or modifying the capital structure, the Group may adjust dividend amounts paid to shareholders, return capital to shareholders or issue new shares. The group monitors capital using the leverage ratio, which represents net debt divided by total equity plus net debt. The group's liabilities include net debt, term loans, commercial accounts payable, payable expenses and other credit balances, minus bank balances.

**14- Capital management (Continued):**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Term loans and Short-term Murabaha	891,563,639	819,662,469
Trade and notes payable	104,982,013	93,841,529
Accrued expenses and other credit balances	112,518,990	82,474,807
Less: Cash and cash equivalents	(17,681,500)	(18,294,771)
<b>Net debt</b>	<b>1,091,383,142</b>	<b>977,684,034</b>
Total equity	2,243,523,569	2,213,609,900
Leverage rate	33%	31%

**15- Contingent liabilities:**

The potential commitments on the group are shown in the table below:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Letters of guarantee	9,204,104	6,256,018
Capital commitment for projects under constructions	-	8,051,498

**16- Fair Value of Financial Tools**

Fair value is the amount received when an asset is sold or paid to transfer a liability in an organized transaction between market participants on the date of measurement. The company's financial instruments consist of financial assets and financial liabilities. The company's financial assets consist of cash and its equivalents, trade receivables, advance payments to suppliers, other debit balances and due from related parties. Financial liabilities consist of trade payables, due to related parties and other credit balances.

The fair value of financial instruments is not significantly different from their book value, unless otherwise indicated.

**17- Risk management**

**Special commission price risk**

Special commission price risk relates to the risks resulting from the fluctuation of the value of a financial instrument as a result of the change in the prevailing commission rates in the market, and the company is subject to the risk of special commission rates on its assets associated with special commissions such as Murabaha deposits and credit facilities.

**Credit risk**

Credit risk is that one financial instrument does not meet its obligations and causes the other party to suffer a financial loss. The Group is exposed to credit risk on cash in the Fund, banks, receivables and commercial debtors as follows:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade Receivable, net	72,696,071	86,686,991
Due from related parties	125,841,813	129,493,724
Notes receivable	39,255,923	28,146,593
Cash and cash equivalent	17,681,500	18,294,771
	<b>255,475,307</b>	<b>262,622,079</b>

The Group manages customer credit risk by dealing with customers with a reliable credit history, obtaining high-quality guarantees when necessary, monitoring unpaid balances, and banking by dealing only with reputable banks.



**17- Risk management (Continued)**

**Liquidity risk**

Liquidity risk is that the group has difficulty in providing funds to meet its financial obligations associated with financial instruments.

Liquidity risks may arise from the inability to sell financial assets quickly at an amount of near their fair value. The Group manages liquidity risk by monitoring working capital requirements and cash flows regularly and ensuring that banking facilities are available when needed. The group's terms of contract require 30-90 days from the date of invoices, and commercial accounts are usually paid within 30-45 days of billing.

**Increased risk concentration**

The concentration of risks arises when a number of other parties engage in similar business activities or activities in the same geographical area or when they have economic characteristics that result in their ability to meet contractual obligations similarly affected by changes in economic, political or other circumstances. The concentration of risks indicates the relative sensitivity of the group's performance to developments affecting an industry.

**18- Interim condensed results and adjustments for the period**

All adjustments that the company's management deemed important have been prepared so that the interim condensed consolidated balance sheet and business results for the period appear fairly. The business results for the interim condensed consolidated financial period may not represent an accurate indication of the actual results of the full year business.

**19- Dividends paid:**

The Board of Directors of the company decided at their meeting on March 28, 2022, to distribute cash dividends to the company's shareholders for the second half of 2021, with a amount of (SAR 45 million) distributed on the number of shares of 180 million shares, 0.25 Saudi riyals per share, distribution ratio of nominal value is 2.5%. The Board of Directors of the Company has taken the approval from the Ordinary General Assembly on June 7, 2022 to authorize the distribution of interim profits.

**20- Subsequent events:**

The Board of Directors of the Company recommended on Monday 7 Rabe Awal 1444H corresponding (October 3, 2022) to distribute cash dividends to the shareholders of the company for the first half of 2022.

**21- Approval of the interim condensed consolidated financial statements**

The interim condensed consolidated financial statements were approved by the Company's Board of Directors on November 3, 2022.