

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

**CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022
WITH INDEPENDENT AUDITOR'S INTERIM REVIEW REPORT**

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

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022

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

INDEPENDENT AUDITOR'S INTERIM REVIEW REPORT FOR THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of **Umm Al-Qura Cement Company, (A Saudi Joint Stock Company) (the "Company")**, as at 30 September 2022 and the related condensed interim statement of profit or loss and other comprehensive income for the three and nine month periods ended 30 September 2022, and the related condensed interim statement of changes in equity and cash flows for the nine month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard (34), "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements (2410), "Review of condensed interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, 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.

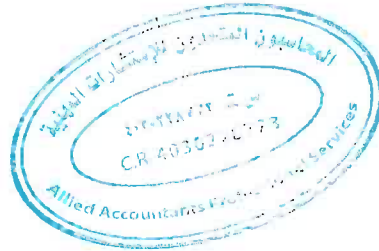
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at 30 September 2022, are not prepared in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting", as endorsed in the Kingdom of Saudi Arabia.

Allied Accountants Professional Services Company



Mohammed Bin Farhan Bin Nader
License No. 435
Riyadh, Saudi Arabia
9 Rabi' II 1444 H (3 November 2022)



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

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 SEPTEMBER 2022

	Note	30 September 2022 (Unaudited) SAR	31 December 2021 (Audited) SAR
Assets			
Non-current assets			
Property, plant and equipment, net		785,279,273	823,065,075
Intangible assets, net		184,706	305,536
Right-of-use assets, net		1,737,585	1,205,290
Financial investments at fair value through OCI		85,008	42,504
Total non-current assets		787,286,572	824,618,405
Current assets			
Inventory	5	296,953,539	255,086,382
Margin of letter of guarantee	6	-	50,000,000
Deposit against bank letter of guarantee	7	50,605,705	-
Accounts receivable, prepaid expenses and other debtors, net	8	22,994,606	19,629,720
Cash and cash equivalents		54,322,418	36,790,341
Total current assets		424,876,268	361,506,443
Total assets		1,212,162,840	1,186,124,848
Equity and Liabilities			
Equity			
Share capital		550,000,000	550,000,000
Statutory reserve	9	29,376,428	29,376,428
Retained earnings		185,572,854	169,685,593
Reserve for revaluation of Financial investments at fair value through OCI		56,672	14,168
Total equity		765,005,954	749,076,189
Liabilities			
Non-current liabilities			
Saudi Industrial Development Fund loan- non-current portion	10	205,365,342	317,630,718
Provision for dismantling, removing and rehabilitation of areas subject to franchise license		10,814,120	10,066,023
Lease liabilities - non-current portion		643,597	511,425
Employees benefits obligations		2,553,745	3,226,636
Total non-current liabilities		219,376,804	331,434,802
Current liabilities			
Saudi Industrial Development Fund loan- current portion	10	166,189,076	50,056,129
Lease liabilities - current portion		872,799	638,696
Accounts payable, accrued expenses and other credit balances	12	54,417,593	47,296,168
Zakat provision		6,300,614	7,622,864
Total current liabilities		227,780,082	105,613,857
Total liabilities		447,156,886	437,048,659
Total equity and liabilities		1,212,162,840	1,186,124,848

Finance Manager

Chief Executive Officer

Chairman of Board of Directors

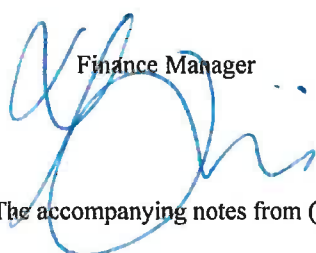
The accompanying notes from (1) to (19) are an integral part of these condensed interim financial statements.

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

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

FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022

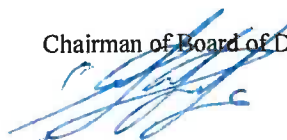
	Note	For the three month periods ended 30 September		For the nine months period ended 30 september	
		2022 SAR (Unaudited)	2021 SAR (Unaudited)	2022 SAR (Unaudited)	2021 SAR (Unaudited)
Profit or loss					
Sales		54,214,507	56,955,601	179,298,949	211,256,897
Cost of sales		(38,748,255)	(34,554,319)	(123,170,120)	(120,046,735)
Gross profit		15,466,252	22,401,282	56,128,829	91,210,162
Selling and marketing expenses		(1,102,226)	(768,054)	(3,223,896)	(2,332,747)
General and administrative expenses		(2,780,740)	(2,526,042)	(8,021,057)	(7,502,507)
Profit from main operations		11,583,286	19,107,186	44,883,876	81,374,908
Finance costs		(3,853,773)	(4,698,637)	(11,448,217)	(13,982,750)
Profit/ (loss) on foreign currency exchange		37,972	(168,494)	200,055	(195,827)
Deposit returns against bank letter of guarantee	7	354,070	-	605,705	-
Other income		244,738	333,645	503,870	1,028,695
Net profit for the period before Zakat		8,366,293	14,573,700	34,745,289	68,225,026
Zakat		(2,100,000)	(2,100,000)	(6,300,000)	(6,300,000)
Net profit for the period		6,266,293	12,473,700	28,445,289	61,925,026
Other comprehensive income					
Items that will not subsequently reclassified to the statement of profit or loss					
Actuarial gain from the actuarial remeasurement of the employee benefit obligations		429,560	274,500	1,191,972	143,159
Unrealized holding gain from revaluation of Investments financial instruments through OCI		9,412	-	42,504	-
Total other comprehensive income for the period		438,972	274,500	1,234,476	143,159
Total comprehensive income for the period		6,705,265	12,748,200	29,679,765	62,068,185
Earnings per share	13				
Basic and diluted earning per share in net profit for the period		0.11	0.23	0.52	1.13

Finance Manager


Chief Executive Officer



Chairman of Board of Directors



The accompanying notes from (1) to (19) 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 PERIODS ENDED 30 SEPTEMBER 2022

	Share capital SAR	Statutory reserve SAR	Retained earnings SAR	Reserve for revaluation of investments at fair value through OCI SAR	Total equity SAR
Balance as at 1 January 2021 (Audited)	550,000,000	21,575,210	148,814,264	-	720,389,474
Net profit for the period	-	-	61,925,026	-	61,925,026
Other comprehensive loss for the period	-	-	143,159	-	143,159
Total comprehensive income for the period	-	-	62,068,185	-	62,068,185
Dividends (Note 16)	-	-	(49,500,000)	-	(49,500,000)
Balance as at 30 September 2021 (Unaudited)	550,000,000	21,575,210	161,382,449	-	732,957,659
Balance as at 1 January 2022 (Audited)	550,000,000	29,376,428	169,685,593	14,168	749,076,189
Net profit for the period	-	-	28,445,289	-	28,445,289
Other comprehensive income for the period	-	-	1,191,972	42,504	1,234,476
Total comprehensive income for the period	-	-	29,637,261	42,504	29,679,765
Dividends (Note 16)	-	-	(13,750,000)	-	(13,750,000)
Balance as at 30 September 2022 (Unaudited)	550,000,000	29,376,428	185,572,854	56,672	765,005,954

Finance Manager

Chief Executive Officer

Chairman of Board of Directors





The accompanying notes from (1) to (19) 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 PERIODS ENDED 30 SEPTEMBER 2022

	For the nine month periods ended 30 September	
	2022 SAR (Unaudited)	2021 SAR (Unaudited)
Cash flows from operating activities		
Net profit for the period before Zakat	34,745,289	68,225,026
Adjustments to reconcile net profit for the period before zakat:		
Depreciations of property, plant and equipment	39,455,649	39,464,346
Amortizations of intangible assets	146,888	262,716
Depreciation of right-of-use assets	531,575	608,765
Provision for employees benefits obligations	759,776	518,273
Provision for expected credit losses	442,226	-
Bank deposit returns against bank letter of guarantee	(605,705)	-
Finance costs	11,448,217	13,982,750
	86,923,915	123,061,876
Changes in operating assets and liabilities:		
Inventory	(41,867,157)	(29,895,531)
Accounts receivable, prepaid expenses and other debtors	(3,492,044)	(109,323)
Accounts payable, accrued expenses and other creditors	5,280,385	4,321,877
Generated from operations	46,845,099	97,378,899
Employees benefits obligations paid	(240,695)	(760,936)
Finance costs paid	(5,274,000)	(35,457,999)
Zakat provision paid	(7,622,250)	(7,684,679)
Net cash generated from operating activities	33,708,154	53,475,285
Cash flows from investing activities		
Purchase of property, machinery and equipment	(1,669,847)	(97,259)
Purchase of intangible assets	(26,058)	-
Net cash used in investing activities	(1,695,905)	(97,259)
Cash flows from financing activities		
Lease liabilities paid	(730,172)	(740,934)
Dividends	(13,750,000)	(49,500,000)
Net cash used in financing activities	(14,480,172)	(50,240,934)
Net change in cash and cash equivalents	17,532,077	3,137,092
Cash and cash equivalents at the beginning of the period	36,790,341	103,821,061
Cash and cash equivalents at the end of the period	54,322,418	106,958,153
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

Chief Executive Officer

Chairman of Board of Directors

The accompanying notes from (1) to (19) 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 2022 (UNAUDITED)

1- ORGANIZATION AND ACTIVITIES

Umm Al-Qura Cement Company ("UACC") 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 is the manufacture of ordinary cement (Portland), the manufacture of salt-resistant cement, the manufacture of white cement and the manufacture of agglomerated cement (Clinker), according to the Industrial License No. 1549, On 5 Rajab 1435 H (corresponding to 5 May 2014), and renewed with License No. 411102103007, On 29 Jumada II 1441 H (corresponding to 23 February 2020), and where the license expires on 28 Jumada II 1444 H (corresponding to 21 January 2023).

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

<u>Branch</u>	<u>CR No.</u>	<u>City</u>	<u>Activity</u>
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.
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)

The head office of the Company is located in Riyadh, King Abdulaziz Road, Al-Sahafa District, P.O. Box 10182, Riyadh 11433, Saudi Arabia. The Company's factory is located At-Taif.

2- BASIS OF PREPARATION OF 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 a complete set of annual financial statements. Also, the results for the period ended 30 September 2022 are not necessarily indicative of the results that can be expected for the year ending on 31 December 2022 (please refer to note 4). It should also be read along with the latest financial statements for the year ended 31 December 2021. 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 2021.

2-2 PREPARATION OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying condensed interim financial statements have been prepared on a historical cost basis except when IFRS require 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 condensed interim 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 is a number of amendments to standards which are effective from 1 January 2022 and have been explained in the 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 2022 (UNAUDITED)

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies are followed 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 estimated 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 transferred 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 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 directly or indirectly.

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".

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022 (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 expenditures that is directly attributable to acquisition of assets. 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 or the rent period, which less, 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 and period are 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 softwares which the Company has acquired and have a useful life of (5 years) are measured at cost, less accumulated amortization and any accumulated impairment losses if any.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in a specific asset to which they relate, and all other expenses that are internally generated are recognized in the condensed interim statement of profit or loss when incurred. Costs of intangible assets are calculated less the residual value using the straight-line basis over their estimated useful lives and are recognized in the condensed interim statement of profit or loss.

Impairment of assets

At each reporting date, the Company reviews 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 lowest of cost and net realizable value. Costs of inventories are determined by using weighted average method. The Cost of finished and in 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 are made at the date of the condensed interim financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022 (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 recognized 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 fair value (proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in condensed interim profit or loss statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the condensed interim 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 amortized 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 can be reliably measured.

Provisions are measured according to the best expectations of the consideration required to meet the obligation as at the date of the interim condensed financial position statement after taking into consideration the risks and uncertainties surrounding the obligation. And the 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 certain 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 2022 (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 operating 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 right of use asset 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 amount 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. Selling and marketing expenses include all expenses related to selling and marketing.

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 2022 (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 condensed interim 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 the condensed interim financial position 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.

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 2022 (UNAUDITED)

5- INVENTORIES

	30 September 2022	31 December 2021
	SAR	SAR
	(Unaudited)	(Audited)
Goods in process*	255,996,945	218,415,522
Spare parts	19,584,084	17,151,915
Raw materials	8,633,033	9,182,176
Finished goods	5,672,837	5,410,397
Fuel and oil	4,029,084	3,403,984
Packaging and other materials	3,037,556	1,522,388
	296,953,539	255,086,382

*Goods in process mainly comprise Clinker material. As at 30 September 2022, Clinker inventory balance amounted to SAR 254 million (31 December 2021: SAR 216 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 of the company's production management, this material can maintain its quality for a period of five years.

6- MARGIN OF LETTER OF GUARANTEE

This item is represented in a letter of guarantee issued in favor of the Ministry of Industry and Mineral Resources in exchange for providing the company with fuel and the company's commitment to establish a white cement factory, as at 30 September 2022, the value of this letter amounted to SAR 100 million (31 December 2021: an amount of SAR 100 million). This letter is covered by 50% of its value or the balance used against facilities to issue a bank guarantee and throughout (during) the first quarter of 2022, the company transferred the amount as a deposit against this facility. The balance of the bank guarantee covered after the transfer (Note 7) as at 30 September 2022 was nil (December 31, 2021: 50 million Saudi riyals) (Note 15).

7- DEPOSIT AGAINST BANK LETTER OF GUARANTEE

The company signed a facility agreement with Riyadh Bank on 21 March 2021, with the possibility that the cash insurance amounted to SAR 50 million, which represents 50% of the cash margin of the letter of guarantee in favor of the Ministry of Industry and Mineral Resources, or that this amount be used as a deposit against facilities for the purpose of issuing this guarantee during the first quarter of 2022, the company transferred the amount as a deposit against this facility, provided that a letter of guarantee would be issued in return for providing the company with fuel and the company's commitment to establish a white cement factory (note 15,6). The returns of this deposit are matured on a quarterly basis at variable rates, as the returns during the nine month period ended on 30 September 2022 amounted to SAR 605,705 so the total amount of the deposit as at 30 September 2022 SAR 50,605,705.

8- ACCOUNTS RECEIVABLE, PREPAID EXPENSES AND OTHER RECEIVABLES, NET

	30 September 2022	31 December 2021
	SAR	SAR
	(Unaudited)	(Audited)
Accounts receivable	8,370,029	8,438,266
(Less): Provision of expected credit loss	(872,929)	(430,703)
Net accounts receivable	7,497,100	8,007,563
Advances for legal cases (Note 15)	10,000,000	10,000,000
Prepaid expenses	2,867,527	1,547,215
Advances to contractors and suppliers	2,629,979	74,942
	22,994,606	19,629,720

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 2022 (UNAUDITED)

8- ACCOUNTS RECEIVABLE, PREPAID EXPENSES AND OTHER RECEIVABLES, NET (CONTINUED)

Below is the movement in provision for expected credit losses:

	30 September 2022	31 December 2021
	SAR	SAR
	(Unaudited)	(Audited)
Balance at the beginning of the period/ year	430,703	430,703
Charged during the period/ year	442,226	-
Balance at the end of the period/ year	872,929	430,703

9- STATUTORY RESERVE

As per the Regulations for Companies in Saudi Arabia, 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.

10- SAUDI INDUSTRIAL DEVELOPMENT FUND LOAN

Below is the movement in SIDF loan is as follows::

	30 September 2022	31 December 2021
	SAR	SAR
	(Unaudited)	(Audited)
Balance at the beginning of the period/ year	378,000,000	468,000,000
Loan payments during the period/ year	-	(90,000,000)
Balance at the end of the period/ year	378,000,000	378,000,000
(Less): Deferred administrative financing costs	(6,445,582)	(10,313,153)
Balance at the end of the period/ year	371,554,418	367,686,847
SIDF loan: current portion	166,189,076	50,056,129
SIDF loan - non-current portion	205,365,342	317,630,718

- On 21 May 2014, the Company signed a 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 and requirements. 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).
- On 23 Dhu al-Qi'dah 1438 H (15 August 2017), a letter was signed to amend the original terms the loan agreement 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.
- **Below are maturities of SIDF loan:**

	30 September 2022	31 December 2021
	SAR	SAR
	(Unaudited)	(Audited)
Year		
2022	55,000,000	55,000,000
2023	115,000,000	115,000,000
2024	134,000,000	134,000,000
2025	74,000,000	74,000,000
	378,000,000	378,000,000

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 2022 (UNAUDITED)

11- CREDIT FACILITIES

The Company signed a Shariah-compliant credit facilities agreement with a bank on 23 April 2019 and renewed on 21 March 2021 with an amount of SAR 157.5 million. The facilities expire on 21 March 2024 and they are guarantee with a promissory note issued for the bank by the Company amounting to SAR 160 million. The purpose of the facilities is to finance the Company's working capital, capital purchases and letters of credit. The company has not used any of these banking facilities during the period ended on 30 September 2022 were the outstanding balance of these facilities as at 30 September 2022 amounted to nil (31 December 2021: nil).

12- ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER PAYABLES

	30 September 2022 SAR (Unaudited)	31 December 2021 SAR (Audited)
Contractors and suppliers	21,831,884	22,730,938
Exploitation fees - Ministry of Energy (A)	14,716,197	8,687,683
Maintenance works provision (B)	7,880,300	5,365,300
Follow-up fees of SIDF Loan (C)	4,114,938	2,273,898
Accrued expenses	2,356,509	2,350,600
Due to employees	1,475,451	2,398,220
Advances from customers	1,058,873	1,272,535
Value added tax and withholding tax	983,441	2,216,994
	54,417,593	47,296,168

- A) The balance represent due amount to Ministry of industry, according to the license granted to the Company for the exploitation of Limestone in the licensed area.
- B) The maintenance works provision balance includes the value of the provision for the maintenance of the company's silos, which amounts to SAR 5,365,300 in addition to the provision for the maintenance of cement mill No. (1), as at 9 August 2022, a major technical failure occurred in one of the components of the cement mill No. 1, the costs to repair the mill were estimated by the company's management at the amount of SAR 2,515,000 according to the technical report issued by a specialized company. Therefore, the company's management created a maintenance allowance for the mill with the full expected maintenance amount (Note 17).
- 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 10)

13- 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 which amounted to 55,000,000 shares (31 December 2021: 55,000,000 shares).

14- FINANCIAL INSTRUMENTS RISK MANAGEMENT

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.

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 2022 (UNAUDITED)

14- FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

The following are the maturities of assets and liabilities as at 30 September 2022 (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
Assets					
Deposit against bank letter of guarantee	-	-	-	50,605,705	50,605,705
Accounts receivable	8,370,029	-	-	-	8,370,029
Total	8,370,029	-	-	50,605,705	58,975,734
Liabilities					
Saudi Industrial Development Fund (SIDF) Loan	55,000,000	115,000,000	208,000,000	-	378,000,000
Provision for dismantling, removing and rehabilitation of areas subject to franchise license	-	-	-	10,814,120	10,814,120
Lease liabilities	117,072	755,727	643,597	-	1,516,396
Employees benefit obligations	-	-	-	2,553,745	2,553,745
Accounts payable, accrued expenses and other creditors	54,417,593	-	-	-	54,417,593
Zakat provision	-	6,300,614	-	-	6,300,614
Total	109,534,665	122,056,341	208,643,597	13,367,865	453,602,468

The following are the maturities of assets and liabilities as at 31 December 2021 (Audited):

	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	-	-	-	50,000,000	50,000,000
Accounts receivable	8,438,266	-	-	-	8,438,266
Total	8,438,266	-	-	50,000,000	58,438,266
Liabilities					
Saudi Industrial Development Fund (SIDF) Loan	-	55,000,000	323,000,000	-	378,000,000
Provision for dismantling, removing and rehabilitation of areas subject to franchise license	-	-	-	10,066,023	10,066,023
Lease liabilities	96,978	541,718	511,425	-	1,150,121
Employees benefit obligations	-	-	-	3,226,636	3,226,636
Accounts payable, accrued expenses and other credit balances	47,296,168	-	-	-	47,296,168
Zakat provision	-	7,622,864	-	-	7,622,864
Total	47,393,146	63,164,582	323,511,425	13,292,659	447,361,812

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022 (UNAUDITED)

14- FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Credit risks

Credit risk is the risk that one party may fail to discharge an obligation and will cause the other party to incur a financial loss. The Company is exposed to credit risk on its bank balances and account receivables as follows:

	30 September 2022 SAR (Unaudited)	31 December 2021 SAR (Audited)
Cash at banks	54,289,381	36,766,415
Accounts receivable	7,497,101	8,007,563
	61,786,482	44,773,978

Market price risk

Market risk is the risk that arises from changes in the fair value of future cash flows of financial instruments due to changes in market prices. Market rates have 3 types: Interest rate risk. Currency risk and other price risks such as shares price risk and commodity price risk, and includes financial liabilities affected by market price risk on loans, account receivables and payables.

Interest rate risk

Interest rate risk is the risk that arises from changes in the fair value of future cash flows of financial instruments because of a change in the interest rate of the market. The company's financial assets and liabilities as at the condensed interim statement of financial position date, with the exception of long-term loans, are not exposed to interest rate risk. Long-term loans carry interest in addition to credit margin based on prevailing market interest rates.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's primary transactions are in Saudi riyals and US dollars. Management monitors currency fluctuations.

Fair value

The fair value of the company's financial assets and liabilities is not materially different from carrying amounts that included in the condensed interim financial statements.

15- CONTINGENT LIABILITIES

- The Company has contingent liabilities arising from an outstanding letter of guarantee amounted to SAR 50 million as at 30 September 2022 (31 December 2021: amounted to SAR 50 million). The letter of guarantee issued for the Ministry of industry for supplying the Company with fuel and the Company's commitment to set up a white cement plant. As at 30 September 2022, the letter of guarantee amounted to SAR 100 million (31 December 2021: SAR 100 million). (Note 6,7).
- There is a case brought against the company by one of the supervisory and regulatory authorities in the Kingdom of Saudi Arabia, where the company was notified on 5 Rabi' I 1443 H (corresponding to 11 October 2021) of a decision to impose a fine of SAR 10 million on the company, and on 30 Safar 1444 H corresponding to (26 September 2022) the decision of the Court of Appeal in the Riyadh region was issued to cancel the decision of the Administrative Court and ratify the decision of the Competition Committee. The company and its legal advisor objected to the decision of the Court of Appeal before the Supreme Court to consider the validity of the application of the law or Islamic Sharia, and in the event of a violation, the decision is reversed, and the final result cannot be determined until the date of these condensed interim financial statements (Note 8).

16- 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.
- On 16 Ramadan 1442 H (corresponding to 28 April 2021), the Ordinary General Assembly held on that date approved the Board of Directors' recommendation to distribute dividends for the year 2020 at 40 Halalas per share, which represents 4% of the nominal value of the share at an amount of SAR 22,000,000, in addition to the above the dividends distributed by the company for the first half of 2020, amounted to 30 halalas per share, so that the total dividends for the year 2020 (70 halalas per share) amounted to SAR 38,500,000.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022 (UNAUDITED)

16- DIVIDENDS (CONTINUED)

- Based on the authorization of the Ordinary General Assembly held on 16 Ramadan 1442 H (corresponding to 28 April 2021) to distribute interim dividends on a semi-annual or quarterly basis to shareholders for the fiscal year 2021, the Board of Directors decided in its meeting held on 19 Dhul-Hijjah 1442 H (corresponding to 29 July 2021) to distribute 50 halalas per share, which represents 5% of the nominal value of the share, with a total amount of SAR 27,500,000, so the total dividends distribution during the year ended on 31 December 2021 amounted to SAR 49,500,000.

17- SIGNIFICANT MATTERS DURING THE PERIOD

On 9 August 2022, a major technical malfunction occurred in one of the components of the cement mill No. 1, which caused it to be stopped, which led to a decrease in the amount of sales by an average of 1161 tons per day, and according to the technical report issued by the manufacturer, the maintenance and repair process for the mill and returning it to normal production status may take up to (12) months, the company's management made a provision during the period for the full amount of the expected maintenance (note 12), and accordingly the company raised the production capacity of the sound mill to partially cover the shortfall, and quick alternatives are being provided to reduce the repair period and return the mill to normal production status in the shortest possible time. Despite this, the company still produces clinker in the same quantities, and it will be stored in preparation for grinding at a later time.

In the opinion of management, and with except for that mentioned above, there were no other significant events during the period 30 September 2022 up to the date of approval of the condensed interim financial statements, that could have a material impact on the condensed interim financial statements as at 30 September 2022.

18- SUBSEQUENT EVENTS

In the opinion of management, there were no significant subsequent events after 30 September 2022 and up to the date of approval of the condensed interim financial statements by the Board of Directors that could have a material impact on the financial position of the Company as shown in these condensed interim financial statements.

19- APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the board of directors on 9 Rabi' II 1444 H (3 November 2022).