

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

**CONDENSED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**
For the three-month period ended 31 March 2022
with
INDEPENDENT AUDITORS' REPORT ON REVIEW



KPMG Professional Services

Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

مركز الزهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جدة 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792
المركز الرئيسي في الرياض

Independent Auditor's Report on review of condensed interim financial statements

To the Shareholders of Southern Province Cement Company
(A Saudi Joint Stock Company)
Abha - Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying 31 March 2022 condensed interim financial statements of Southern Province Cement Company (the "Company"), which comprise of:

- the condensed statement of financial position as at 31 March 2022;
- the condensed statements of profit or loss and other comprehensive income for the three-month period ended 31 March 2022;
- the condensed statement of changes in equity for the three-month period ended 31 March 2022;
- the condensed statement of cash flows for the three-month period ended 31 March 2022; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 (IAS 34), 'Interim Financial Reporting' that is 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 Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (25,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس ماله (25,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". و هي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة

Commercial Registration of the headquarters in Riyadh is 1010425494.

Independent Auditor's Report on review of condensed interim financial statements (continued)

To the Shareholders of Southern Province Cement Company
(A Saudi Joint Stock Company)
Abha - Kingdom of Saudi Arabia

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2022 condensed interim financial statements of Southern Province Cement Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services



Ebrahim Oboud Baeshen
License No. 382



Jeddah, 15 May 2022
Corresponding to 14 Shawwal 1443H

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

(Saudi Arabian Riyals)

	Note	31 March 2022 (Unaudited)	31 December 2021 (Audited) (Restated - note 15)
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,796,376,294	2,820,875,678
Investment properties		5,437,625	5,437,625
Total non-current assets		2,801,813,919	2,826,313,303
Current assets			
Inventories	7	592,154,943	573,381,462
Trade receivables		55,530,139	50,715,235
Prepayments and other receivables		43,438,657	50,712,007
Cash and cash equivalents	8	599,651,928	503,597,996
Total current assets		1,290,775,667	1,178,406,700
Total assets		4,092,589,586	4,004,720,003
EQUITY AND LIABILITIES			
Equity:			
Share capital	1	1,400,000,000	1,400,000,000
Statutory reserve		700,000,000	700,000,000
Retained earnings		1,162,155,464	1,075,114,653
Total equity		3,262,155,464	3,175,114,653
LIABILITIES			
Current liabilities			
Bank facilities	9	233,397,000	253,397,000
Employees' defined benefit obligation		121,479,705	117,864,488
Total non current liability		354,876,705	371,261,488
Current liabilities			
Bank facilities	9	76,250,000	75,000,000
Accrued expenses and other payables		140,506,595	124,907,704
Trade payables		53,765,019	53,410,969
Dividend payables	10	159,365,470	161,586,672
Provision for zakat	11-ب	45,670,333	43,438,517
Total current liabilities		475,557,417	458,343,862
Total liabilities		830,434,122	829,605,350
Total shareholders' equity and liabilities		4,092,589,586	4,004,720,003

The attached notes 1 to 16 of these condensed interim financial statements.


Executive Vice President of
Financial Affairs


Chief Executive Officer


SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

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

For the three-month period ended 31 March 2022
(Saudi Arabian Riyals)

	Note	31 March 2022 (Unaudited)	31 March 2021 (Unaudited)
Revenue		329,973,668	439,339,212
Cost of revenue		(223,631,613)	(255,185,851)
Gross profit		106,342,055	184,153,361
Selling and distribution expenses		(2,581,700)	(2,928,685)
General and administrative expenses	11	(13,088,347)	(10,208,396)
Operating income		90,672,008	171,016,280
Finance costs		(1,720,782)	(2,325,288)
Other income		321,401	5,137,810
Profit before zakat		89,272,627	173,828,802
Zakat	11- ⁱ	(2,231,816)	(4,686,012)
Period profit		87,040,811	169,142,790
Other Comprehensive income			
<i>Items that will not be reclassified under profit or loss:</i>			
Remeasurement of employees' defined benefits obligation		--	--
Total other comprehensive income		--	--
Total comprehensive income		87,040,811	169,142,790
<u>Earnings per share to net income for the period (Saudi Riyals):</u>			
Basic	12	0.62	1.21
Diluted		0.62	1.21

The attached notes 1 to 16 of these condensed interim financial statements.


Executive Vice President of
Financial Affairs


Chief Executive Officer

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three-month period ended 31 March 2022
(Saudi Arabian Riyals)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
<u>For the three-month period ended 31 March 2022:</u>				
Balance as at 1 January 2022 (audited) (as previously reported)	1,400,000,000	700,000,000	1,107,491,974	3,207,491,974
Correction of previous years' errors (note 15)	--	--	(32,377,321)	(32,377,321)
Balance as at 1 January 2022 (restated) (Note 15)	1,400,000,000	700,000,000	1,075,114,653	3,175,114,653
Profit for the period	--	--	87,040,811	87,040,811
Other comprehensive gain	--	--	--	--
Total comprehensive income for the period	--	--	87,040,811	87,040,811
Balance at March 31, 2022 (unaudited)	1,400,000,000	700,000,000	1,162,155,464	3,262,155,464
<u>For the three-month period ended 31 March 2021:</u>				
Balance as at 1 January 2021 (audited)	1,400,000,000	700,000,000	1,179,712,771	3,279,712,771
Period profit (Restated – note 15)	--	--	169,142,790	169,142,790
Other comprehensive gain	--	--	--	--
Total comprehensive income for the period (restated - note 15)	--	--	169,142,790	169,142,790
Balance at 31 March 2021 (unaudited) (restated - note 15)	1,400,000,000	700,000,000	1,348,855,561	3,448,855,561

The attached notes 1 to 16 of these condensed interim financial statements.


Executive Vice President of
Financial Affairs


Chief Executive Officer


SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three-month period ended 31 March 2022
(Saudi Arabian Riyals)

	<u>Note</u>	<u>2022</u> (Unaudited)	<u>2120</u> (Unaudited) (Restated – note 15)
<u>Operating activities:</u>			
Profit for the period before Zakat		89,272,627	173,828,802
<u>Adjustments:</u>			
Depreciation on property, plant and equipment	6	56,514,993	48,959,288
Loss/ (gain) on sale of property, plant and equipment		1,434,513	(2,558,250)
Finance costs		1,720,782	2,325,288
Employee defined benefit obligation charge for the period		5,221,279	2,984,547
		<u>154,164,194</u>	<u>225,539,675</u>
Change in working capital:			
Trade receivables		(4,814,904)	(5,116,059)
Inventories		(18,773,481)	25,687,337
Prepayments and other receivables		7,273,350	(6,471,830)
Trade payables		354,050	8,832,944
Accrued expenses and accounts payable		15,598,891	21,095,765
Finance costs		(1,720,782)	(2,325,288)
Employees defined benefits - paid		(1,606,062)	(2,132,274)
Net cash generated from operating activities		<u>150,475,256</u>	<u>265,110,270</u>
<u>Investing activities:</u>			
Additions of property, plant and equipment	6	(33,450,122)	(11,048,532)
Proceeds from sale of property plant and equipment		--	2,669,528
Net cash used in investing activities		<u>(33,450,122)</u>	<u>(8,379,004)</u>
<u>Financing activities:</u>			
Paid from facilities	9	(18,750,000)	(17,500,000)
Dividends paid	10	(2,221,202)	(677,393)
Net cash used in financing activities		<u>(20,971,202)</u>	<u>(18,177,393)</u>
Change in cash and cash equivalents during the year		96,053,932	238,553,873
Cash and cash equivalents at beginning of the period		503,597,996	542,534,970
Cash and cash equivalents at the end of the period	8	<u>599,651,928</u>	<u>781,088,843</u>
<u>Significant non-cash transactions</u>			
Transfer from projects in progress to property, plant and equipment	6	67,900	--

The attached notes 1 to 16 of these condensed interim financial statements.


Executive Vice President of
Financial Affairs


Chief Executive Officer

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

As at 31 March 2022

(Expressed in Saudi Riyals)

1. GENERAL

Southern Province Cement Company was established as a Saudi Joint Stock Company ("the Company") under the Royal Decree No. M/3 on 24/3/1397H based on the Council of Ministers Resolution No. 1074 on 10/8/1394H and is registered in Abha City under the Commercial Registration No. 5850001443 on 27/04/1399H pursuant to the Ministry of Industry and Electricity Resolution No. 67/S dated 17/3/1396H.

The Company's main activity is to manufacture and produce cement, its derivatives and accessories, and to trade in those products and to carry out all works related directly to the realization of these purposes. The Company may have an interest or participate in any way with entities and companies that carry out works similar to their work or which may cooperate to achieve their purpose. It may own, or purchase shares in these companies, and to merge it or to merge into or to purchase them. The Company may have an interest or participate in any form with other companies, provided that it does not exceed 20% of its free reserves and does not exceed 10% of the share capital of the Company in which it participates. The total number of such shares shall not exceed the value of these reserves and the Ordinary General Assembly shall be informed in their first meeting.

As at 31 March 2022, the authorized, subscribed and fully-paid-up share capital 1.4 billion (2021: SR 1.4 billion) divided into 140 million ordinary shares (2021: 140 million shares) of SR 10 each (2021: SR 10).

The registered address of the Company is as follows:

Southern Province Cement Company
Abha City
PO Box 548
Jeddah, Kingdom of Saudi Arabia

The Company operates through three factories, which are as follows:

- a) Jazan, Ahad Al Masarihah city.
- b) Aseer, Bisha.
- c) Mecca Region, Al Qunfudhah - Thaloth Emara

The following factories operate under separate industrial licenses that are numbered and dated as follows:

<u>Factory</u>	<u>Industrial license No.</u>	<u>Industrial license date</u>
Ahad Al Masarihah - Jazan area	٤١١١.٢١.١.٧.	29/4/1441H
Bisha - Aseer area	١١	8/4/1441H
Tehama - Makkah area	٤١١١.٢١.٢٦٩٣	18/06/1441H

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

As at 31 March 2022

(Expressed in Saudi Riyals)

2. BASIS OF PREPERATION

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard No. 34 “Interim Financial Reporting” as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants. These condensed interim financial statements should be read in conjunction with the financial statements of the last annual financial statements of the Company as in as at 31 December 2021 (“Previous Year Financial Statements”), into account the amendments contained in Note 15. These financial statements do not include all the information required to prepare a complete set of financial statements in accordance with the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia, however some accounting policies and explanatory notes have been included to explain the events and transactions that are important to understand the changes in the financial position and financial performance of the Company from the financial statements of the previous year. In addition, the results for the three-month period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the year ending 31 December 2022.

b) Basis of measurement

The condensed interim financial statements have been prepared on historical cost basis, except for the following major items presented in condensed interim statement of financial position:

- Accruals for employee defined benefit obligations that are measured at the present value of future liabilities are recognized using the projected unit credit method. Using the accrual basis of accounting and the going concern concept.

c) Functional and presentation currency

These condensed interim financial statements have been presented in Saudi Arabian Riyals (SR) which is the Company’s functional and presentation currency.

3. USE OF JUDGEMENTS AND ESTIMATES

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

Estimates and assumptions are based on previous experience and factors that may include expecting suitable future events which are used to extend book period of dependent assets and liabilities from other resources and estimates and assumptions are continuously being evaluated. Revised accounting estimates are also reviewed in the period in which the estimates are revised in the audit period and future periods, if the changed estimates affect current and future periods.

Significant judgments made by the management upon the adopting the Company’s accounting policies correspond to the disclosed policies in last year’s financial statements.

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

As at 31 March 2022

(Expressed in Saudi Riyals)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company in preparing the financial statements are consistent with those followed in preparing the annual financial statements of the Company for the year ended 31 December 2021, and there are no new standards that were issued, however, there are a number of amendments to the standards which are effective from first of January 2022, which did not have a material impact on the financial statements.

5. SEGMENT INFORMATION

The presentation of key segments is determined on the basis that the risks and rewards of the Company are substantially affected by the differences in the products of those segments. These segments are organized and managed separately according to the nature of the services and products, each forming a separate unit. The operational segments set out below are determined by distinguishing operating segments from which the Company generates revenues and incurs costs. The economic characteristics are reviewed and the operating segments are aggregated on the basis of the assessment made by the Chief Operating Decision Maker at least every quarter and reviewed by senior management. The Company has one operational sector, represented in the production of cement (ordinary cement, in both bulk and packed types, and resistant cement, in both bulk and packed types). The Company operates in the Kingdom of Saudi Arabia, as well as geographical sectors, according to the following details:

	<u>Jazan factory</u>	<u>Besha factory</u>	<u>Tehama factory</u>	<u>Head office</u>	<u>Total</u>
<u>As at 31 March 2022</u> <u>(unaudited):</u>					
Total non-current assets	<u>209,422,789</u>	<u>1,002,003,345</u>	<u>1,578,973,916</u>	<u>11,413,869</u>	<u>2,801,813,919</u>
<u>For the period ended</u> <u>31 March 2022:</u> <u>(Unaudited)</u>					
Revenue	<u>135,105,769</u>	<u>84,199,112</u>	<u>110,668,787</u>	<u>--</u>	<u>329,973,668</u>
Cost of revenue	<u>95,740,627</u>	<u>56,669,288</u>	<u>71,221,698</u>	<u>--</u>	<u>223,631,613</u>
Profit / (loss) for the period	<u>39,365,142</u>	<u>27,529,824</u>	<u>39,447,089</u>	<u>(19,301,244)</u>	<u>87,040,811</u>
<u>As at 31 December</u> <u>2021 (audited):</u>					
Total non-current assets	<u>198,404,888</u>	<u>1,009,468,624</u>	<u>1,606,814,412</u>	<u>11,625,379</u>	<u>2,826,313,303</u>
<u>For the period ended</u> <u>31 March 2021</u> <u>(Unaudited):</u>					
Revenue	<u>129,022,640</u>	<u>132,377,367</u>	<u>177,939,205</u>	<u>--</u>	<u>439,339,212</u>
Cost of revenues (restated - note 15)	<u>88,064,421</u>	<u>73,100,408</u>	<u>94,021,022</u>	<u>--</u>	<u>255,185,851</u>
Profit / (loss) of the period (Restated - note 15)	<u>40,958,219</u>	<u>59,276,959</u>	<u>83,918,183</u>	<u>(15,010,571)</u>	<u>169,142,790</u>

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

As at 31 March 2022

(Expressed in Saudi Riyals)

6. PROPERTY, PLANT AND EQUIPMENT

- 1) For the purposes of preparing the condensed statement of cash flows, the movement in property, plant and equipment during the three-month period ended 31 March is as follows:

	Mar 31 <u>2022</u> (Unaudited)	31 March <u>2021</u> (Unaudited)
Depreciation on property, plant and equipment	56,514,993	48,959,288
Additions of property, plant and equipment	33,450,122	11,048,532
Transferred from projects in progress to property, plant and equipment	67,900	--

- 2) During the year ended 31 December 2021, the Company's management took a decision to replace the two production lines of Jazan factory and to establish a production line with a production capacity of 10 thousand tons per day, provided that the replacement process would be completed by January 2025. Accordingly, the Company's management reviewed the estimated useful lives of the two production lines of Jizan factory, which led to a change in the estimated useful life of those lines. Accordingly, the useful life of the two production lines has been reduced from 10 years to 3 years to be depreciated over the remaining useful life of those lines.

- 3) Company's property, plant and equipment are not pledged against standing loans as at 31 March 2022 and 31 December 2021.

7. INVENTORIES

Inventories comprise the following:

	Mar 31 <u>2022</u> (Unaudited)	31 December <u>2021</u> (Audited)
Spares not for sale	267,963,026	275,949,509
Production under processing	310,442,771	301,472,223
Raw, filling and packaging materials	71,835,584	54,046,168
	650,241,381	631,467,900
Less: Allowance for slow moving inventory items	(58,086,438)	(58,086,438)
	592,154,943	573,381,462

Movement in provision for slow-moving inventory items is as follows:

	Mar 31 <u>2022</u> (Unaudited)	31 December <u>2021</u> (Audited)
Balance at beginning of the period/ year	58,086,438	49,886,438
Charge during the period / year	--	8,200,000
	58,086,438	58,086,438

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

As at 31 March 2022

(Expressed in Saudi Riyals)

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	<u>Note</u>	Mar 31 2022 (Unaudited)	31 December 2021 (Audited)
Cash in hand and at banks		99,651,928	68,597,996
Islamic deposits	8-1	500,000,000	435,000,000
		<u>599,651,928</u>	<u>503,597,996</u>

8.1 Represent deposits placed with local commercial banks and their original maturity periods not exceeding three months from the date of the original maturity.

9. BANK FACILITIES

The Company has bank facilities with a local bank with a total amount of SR 772.4 million as at 31 March 2022 (31 December 2021: SR 772.4 million), and the utilized balance of facilities at 31 March 2022 amounted to SR 309.6 million (31 December 2021: SR 328.3 million) to be paid in variable quarterly installments until the end of the year 2025.

Facilitation agreements with banks include certain covenants, which among other things, states that the liquidity ratio should not be less than 1:1 based on the audited annual financial statements, and it also requires maintaining of some ratios and financial indicators.

A breach of these covenants in the future may lead to renegotiation. The management monitors the covenants on a monthly basis, and in case of the existence of a breach that is expected to occur in the future, the management takes the necessary measures to ensure compliance. The Company has fulfilled these covenants as at 31 March 2022.

All banking facilities carry agreed upon commissions according to the commercial rates prevailing in the market.

The facilities are stated in the statement of financial position as follows:

	Mar 31 2022 (Unaudited)	31 December 2021 (Audited)
Current portion under current liabilities	76,250,000	75,000,000
Non-current portion under non-current liabilities	233,397,000	253,397,000
	<u>309,647,000</u>	<u>328,397,000</u>

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

As at 31 March 2022

(Expressed in Saudi Riyals)

9. BANK FACILITIES (continued)

The financing movement during the period / year is as follows:

	Mar 31 2022 (Unaudited)	31 December 2021 (Audited)
Balance at beginning of period/year	328,397,000	398,397,000
Provided during the period/year	<u>(18,750,000)</u>	<u>(70,000,000)</u>
	<u>309,647,000</u>	<u>328,397,000</u>

10. DIVIDEND PAYABLES

The movement on the dividends payable as follows:

	Mar 31 2022 (Unaudited)	31 December 2021 (Audited)
Balance at 1 January	161,586,672	158,620,252
Dividends declared during the period / year	--	525,000,000
Dividend payments during the period / year	<u>(2,221,202)</u>	<u>(522,033,580)</u>
	<u>159,365,470</u>	<u>161,586,672</u>

On 3 March 2021, the Company's Board of Directors recommended distributing cash dividends to shareholders for the second half of the financial year ended 31 December 2020 amounting to of SR 350 million, which represents SR 2.5 per share, for the second half of the financial year ended on 31 December 2020 (second half of 2019: SR 315 million (2.25 Saudi riyals per share), which was approved during the forty-seventh ordinary general assembly meeting on 11 April 2021.

On 28 July 2021, the Company's Board of Directors approved to distribute cash dividends for the first half of the year 2021 amounting to SR 175 million and 12.5% of the paid-up capital at the rate of SR 1.25 (first half of 2020: 315 million at SR 2.25 per share).

On 2 March 2022, the Company's Board of Directors has recommended on 28 July 2021 to distribute cash dividends for the second half of the year 2021 amounting to SR 175 million and 12.5% of the paid-up capital at the rate of SR 1.25. The date of the General Assembly meeting will be announced later after obtaining approval from the competent authorities.

11. ZAKAT

a) Charge of the period

	Mar 31 2022 (Unaudited)	31 March 2021 (Unaudited)
Charged on the current period	2,231,816	4,686,012
	<u>2,231,816</u>	<u>4,686,012</u>

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

As at 31 March 2022

(Expressed in Saudi Riyals)

11. ZAKAT (continued)

b) Provision for zakat

The movement in Zakat payable represented as follows:

	Mar 31 <u>2022</u> (Unaudited)	31 December <u>2021</u> (Audited)
Balance at beginning of the period / year	43,438,517	43,813,703
Add: Charge of the period / year	2,231,816	17,109,412
Less: Payments during the period / year	--	(17,484,598)
Balance at end of the period/year	<u>45,670,333</u>	<u>43,438,517</u>

c) Zakat and tax status

- In the year 2020, the Company filed the zakat declaration and the financial statements and paid the zakat due accordingly, and obtained a certificate valid until 30 April 2022.
- During the years from 2014 till 2018, the Company objected to Zakat differences with total amount of SR 40,583,829, and that the main item for the objection is the adjusted net profit for the years 2015 and 2016, with an amount of zakat differences amounting to SR 35,082,796. A decision of the First Circuit for Settling Income Tax Violations and Disputes at Jeddah was issued in this regard with the number (IZJ2020-141) dated 24/8/2020 which supports the Company's point of view of not taking the adjusted net profit and calculating zakat according to the actual Zakat base, and decisions are expected for the year 2015 And 2016 in the same manner, since the Zakat regulation was issued in 2018 and is enforceable from its issuance date.
- For the years 2011 through 2013, the Company has filed Zakat returns for the years from 2011 until 2013, and a letter from the General Authority of Zakat and Income Tax ("GAZT") was issued by the Zakat, Tax and Customs Authority claiming a withholding tax amounting to SR 15,061,625 on amounts paid to parties outside the Kingdom of Saudi Arabia. This amount was paid to the GAZT during the year ending on 31 December 2019. It also showed zakat differences amounting to SR 19,783,922. The Company has objected these differences. The decision of the First Circuit of Income Tax Violations and Disputes in Jeddah was issued with No. IZJ-2020-141 in lawsuit No. Z-190-2018, supporting the Company's view on some items. The company has appealed the decision issued by the First Circuit of Income Tax Violations and Disputes in Jeddah No. IZJ-2020-141 in the lawsuit No. Z-190-2018 before the First Appeal Circuit for Income Tax Violations and Disputes and the Company is still waiting to set the date of the hearing session.
- The Company has sufficient allocations to meet any potential zakat obligations that may arise from the final assessments, if any.

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As at 31 March 2022

(Expressed in Saudi Riyals)

12. EARNING PER SHARE

a) Basic earnings per share

The calculation of basic earnings per share has been based the distributable earnings attributable to shareholders of ordinary shares and the weighted average number of ordinary shares outstanding at the date of the financial statements.

	Mar 31 <u>2022</u>	31 March <u>2021</u> (Restated – note 15)
Profit for the period (SR) (restated, note 15)	87,040,811	169,142,790
Number of shares (weighted average)	140,000,000	140,000,000
Basic earnings per share (SR)	0.62	1.21

b) Diluted EPS

The calculation of diluted earnings per share has been based on the profit distributable to shareholders on ordinary shares and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, if any.

During the period there were no diluted shares, accordingly the diluted earnings per share was the same as the basic.

13. CONTINGENCIES

- a) As at 31 March 2022, the contingent liabilities against issued banking letters of guarantee amounted to SR 81,1 million (31 December 2021: SR 74,3 million).
- b) As at 31 March 2022, the capital contingencies related to projects in progress amounted to SR 82,5 million (31 December 2021: SR 52,5 million).
- c) There are cases brought against the Company that have no defined value and are still pending before the judiciary, and the Company's management or its legal advisor cannot reliably anticipate the obligations that may result from them at the present time, and accordingly no provisions have been made against these cases.

14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related party transactions mainly represent transaction with companies related to BOD members, salaries, allowances and bonuses of senior executives.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Directors and shareholders (whether executive or otherwise).

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(Expressed in Saudi Riyals)

14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

<u>Description</u>	<u>Nature of relation</u>
Saudi Chemical Company Limited	A company related to BOD members
Company's BOD members	Executive management of the Company
Key management and senior executives	Executive management of the Company

- a) The following table shows the balances of related parties, which are recognized in trade payables as on 31 March 2022 and 31 December 2021:

<u>Transactions with</u>	<u>Nature of transaction</u>	<u>Volume of transactions</u>		<u>Closing balance</u>	
		<u>Mar 31 2022</u> (Unaudited)	<u>31 December 2021</u> (Audited)	<u>Mar 31 2022</u> (Unaudited)	<u>31 December 2021</u> (Audited)
Saudi Chemical Company Limited	Purchases of raw material	415,265	13,347,900	--	415,265

- b) The salaries, wages and related costs benefits for the period ended 31 March 2022 and 31 December 2021 include the following:

<u>Transactions with</u>	<u>Nature of transaction</u>	<u>Mar 31 2022</u> (Unaudited)	<u>31 December 2021</u> (Audited)
Key management personnel	Salaries, wages and equivalents	3,250,881	6,911,526
BOD members	BOD's remunerations	1,800,000	1,800,000

15. CORRECTION OF PREVIOUS YEARS' ERRORS

During the first quarter of 2022, the Company became aware of an error in calculating the entitlement of the limestone extraction expense, which is due in favor of the Ministry of Industry and Mineral Resources, based on the quantities extracted for the financial year ended 31 December 2021, as well as for the period ended 31 March 2021, as a result of the issuance of an update to the executive regulations of the mining investment, corresponding to 09/05/1442H, which the Company did not implement at the time. Accordingly, the Company's management has re-presented its statements by amending the items of the previous financial statements that were affected by this error in line with the requirements of IAS (8) "Change in Accounting Policies, Change in Accounting Estimates and Accounting Errors".

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As at 31 March 2022

(Expressed in Saudi Riyals)

15. CORRECTION OF PREVIOUS YEARS' ERRORS (continued)

The following table summarizes the impact on the Company's statement of financial position as at 31 December 2021 and the statement of profit or loss and other comprehensive income and the statement of cash flows for the year ended 31 March 2021:

As at December 31, 2021			
Statement of financial position	Balance as previously reported	Adjustments	Balance after adjustment
Accrued expenses and other payables	92,530,383	32,377,321	124,907,704
Total current liabilities	425,966,541	32,377,321	458,343,862
Total liabilities	797,228,029	32,377,321	829,605,350
Retained earnings	1,107,491,974	(32,377,321)	1,075,114,653
Total equity	3,207,491,974	(32,377,321)	3,175,114,653
For the three-month period ended march 31, 2021			
Condensed statement of profit or loss and other comprehensive income	Balance as previously reported	Adjustments	Balance after adjustment
Cost of revenue	249,482,364	5,703,487	255,185,851
Gross profit	189,856,848	(5,703,487)	184,153,361
Operating income	176,719,767	(5,703,487)	171,016,280
Profit before zakat	179,532,289	(5,703,487)	173,828,802
Period profit	174,846,277	(5,703,487)	169,142,790
Total comprehensive income	174,846,277	(5,703,487)	169,142,790
<u>Earnings per share to net income for the period (Saudi Riyals):</u>	1.25	(0.04)	1.21
For the three-month period ended march 31, 2021			
Condensed statement of cash flows (unaudited)	Balance as previously reported	Adjustments	Balance after adjustment
<u>Operating activities:</u>			
Profit for the period before Zakat	179,532,289	(5,703,487)	173,828,802
<u>Change in working capital:</u>			
Accrued expenses and accounts payable	15,392,278	5,703,487	21,095,765

16. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

The condensed interim financial statements were authorized for issue by the audit committee on 9 May 2022, corresponding to 8 Shawwal 1443H.