

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

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

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

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

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

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

Riyadh - Kingdom of Saudi Arabia

Introduction

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

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

Scope of review

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

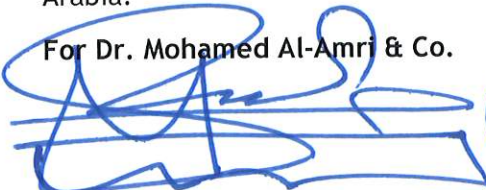
Other matter

The condensed interim financial statements for the three-month period ending on March 31, 2022, and for the three and six-month periods ending on June 30, 2022, and the financial statements for the year ending on December 31, 2022, and the interim condensed financial statements for the three-month period ending on March 31, 2023, have been examined by another auditor, who expressed an unmodified conclusion on these interim condensed financial statements on 8 Shawwal 1443 H (corresponding to May 9, 2022), 20 Muharram 1444 H (corresponding to 18 August 2022), 28 Shawwal 1444 H (corresponding to 18 May 2023), and on the financial statements for the year ending as on December 31, 2022 on 28 Shaaban 1444 H (corresponding to March 20, 2023), respectively.

Conclusion

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

For Dr. Mohamed Al-Amri & Co.



Maher Taha AL-Khatieb
Certified Public Accountant
Registration No. 514



Date: 23 Muharram 1445 (H)
Corresponding to: 10 August 2023 (G)

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

	Note	30 June 2023 (Unaudited) SAR	31 December 2022 (Audited) SAR
Assets			
Non-current assets			
Property, plant and equipment, net		748,975,309	774,234,584
Intangible assets, net		1,310,912	1,406,958
Right-of-use asset, net		1,147,955	1,583,033
Financial investments at fair value through OCI		84,401	76,912
Total non-current assets		751,518,577	777,301,487
Current assets			
Inventory	5	385,574,679	335,009,142
Deposit against bank letter of guarantee	6	-	51,034,237
Short term time deposit		30,000,000	-
Accounts receivable, prepaid expenses and other debtors, net	7	12,914,046	10,988,893
Cash and cash equivalents		14,418,537	5,891,476
Total current assets		442,907,262	402,923,748
Total assets		1,194,425,839	1,180,225,235
Equity and Liabilities			
Equity			
Share capital	1	550,000,000	550,000,000
Statutory reserve	8	31,675,122	31,675,122
Reserve for revaluation of Financial investments at fair value through OCI		56,065	48,576
Retained earnings		189,022,210	180,417,936
Total equity		770,753,397	762,141,634
Liabilities			
Non-current liabilities			
Saudi Industrial Development Fund loan- non-current portion	9	147,178,058	206,058,439
Provision for dismantling, removing and rehabilitation of areas subject to franchise license		15,501,475	14,835,978
Lease liabilities - non-current portion		385,495	615,721
Employees benefits obligations		3,203,218	3,080,014
Total non-current liabilities		166,268,246	224,590,152
Current liabilities			
Saudi Industrial Development Fund loan- current portion	9	172,360,899	111,572,279
Lease liabilities - current portion		390,357	876,428
Accounts payable, accrued expenses and other credit balances	10	80,097,754	72,994,651
Zakat provision		4,555,186	8,050,091
Total current liabilities		257,404,196	193,493,449
Total liabilities		423,672,442	418,083,601
Total equity and liabilities		1,194,425,839	1,180,225,235

Finance Manager

Chief Executive Officer

Chairman of Board of Directors

The accompanying notes from (1) to (17) are an integral part of these condensed interim financial statements.

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

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

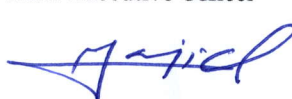
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2023

	Note	For the three months period ended 30 June		For the six months period ended 30 June	
		2023 SAR (Unaudited)	2022 SAR (Unaudited) (Restated note 15)	2023 SAR (Unaudited)	2022 SAR (Unaudited) (Restated note 15)
Profit or loss					
Sales		37,832,382	59,483,427	84,992,144	125,084,442
Cost of sales		(26,839,594)	(41,620,201)	(58,749,507)	(83,418,727)
Gross profit		10,992,788	17,863,226	26,242,637	41,665,715
Selling and marketing expenses		(841,945)	(1,280,670)	(1,679,045)	(2,121,670)
General and administrative expenses		(2,947,534)	(2,729,145)	(5,730,560)	(5,240,317)
Profit from main operations		7,203,309	13,853,411	18,833,032	34,303,728
Finance costs		(3,242,355)	(3,236,427)	(6,601,752)	(7,594,444)
(loss)/Profit on foreign currency exchange		(97,998)	(115,546)	(170,047)	162,083
Deposit returns against bank letter of guarantee		49,251	131,566	707,167	251,635
Other income		274,141	141,949	297,400	259,132
Net profit for the period before Zakat		4,186,348	10,774,953	13,065,800	27,382,134
Zakat		(2,361,526)	(2,100,000)	(4,461,526)	(4,200,000)
Net profit for the period		1,824,822	8,674,953	8,604,274	23,182,134
Other comprehensive income					
Items that will not subsequently reclassified to the statement of profit or loss					
Unrealized holding gain from revaluation of Investments financial instruments through OCI		13,257	7,894	7,489	33,092
Actuarial gain from the actuarial remeasurement of the employee benefit obligations		-	762,412	-	762,412
Total other comprehensive income for the period		13,257	770,306	7,489	795,504
Total comprehensive income for the period		1,838,079	9,445,259	8,611,763	23,977,638
Earnings per share	11				
Basic and diluted earning per share in net profit for the period		0,03	0.16	0,16	0.42

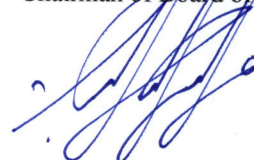
Finance Manager



Chief Executive Officer



Chairman of Board of Directors



The accompanying notes from (1) to (17) are an integral part of these condensed interim financial statements.

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

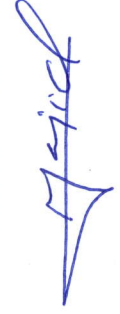
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

	Share capital	Statutory reserve	Reserve for revaluation of investments at fair value through OCI	Retained earnings	Total equity
	SAR	SAR	SAR	SAR	SAR
Balance as at 1 January 2022 (Audited) (Restated note 15)	550,000,000	29,376,428	14,168	173,109,816	752,500,412
Net profit for the period (Restated note 15)	-	-	-	23,182,134	23,182,134
Other comprehensive income for the period	-	-	33,092	762,412	795,504
Total comprehensive income for the period	-	-	33,092	23,944,546	23,977,638
Dividends (note 14)	-	-	-	(13,750,000)	(13,750,000)
Balance as at 30 June 2022 (Unaudited)	550,000,000	29,376,428	47,260	183,304,362	762,728,050
Balance as at 1 January 2023 (Audited)	550,000,000	31,675,122	48,576	180,417,936	762,141,634
Net profit for the period	-	-	-	8,604,274	8,604,274
Other comprehensive income for the period	-	-	7,489	-	7,489
Total comprehensive income for the period	-	-	7,489	8,604,274	8,611,763
Balance as at 30 June 2023 (Unaudited)	550,000,000	31,675,122	56,065	189,022,210	770,753,397

Finance Manager



Chief Executive Officer



Chairman of Board of Directors



The accompanying notes from (1) to (17) 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 SIX-MONTH PERIOD ENDED 30 JUNE 2023

	For the six-month period ended 30 June	
	2023 SAR (Unaudited)	2022 SAR (Unaudited) (Restated note 15)
Cash flows from operating activities		
Net profit for the period before Zakat	13,065,800	27,382,134
Adjustments to reconcile net profit for the period before zakat:		
Depreciations of property, plant and equipment	26,302,251	26,184,645
Amortizations of intangible assets	96,046	129,388
Depreciation of right-of-use assets	435,078	375,139
Provision for employees benefits obligations	301,466	565,045
Provision for expected credit losses	-	370,875
Bank deposit returns against bank letter of guarantee	(707,167)	(251,635)
Losses on the sale of property, plant and equipment	6,086	-
Finance costs	6,601,752	7,594,444
	46,101,312	62,350,035
Changes in operating assets and liabilities:		
Inventory	(50,565,537)	(21,534,842)
Accounts receivable, prepaid expenses and other debtors	(1,700,681)	(5,367,927)
Release of the deposit against the letter of guarantee	51,034,237	-
Accounts payable, accrued expenses and other creditors	7,103,103	13,086,681
Generated from operations	51,972,434	48,533,947
Finance costs paid	(3,516,000)	(5,274,000)
Employees benefits obligations paid	(178,261)	(237,095)
Zakat provision paid	(7,956,431)	(7,622,249)
Net cash generated from operating activities	40,321,742	35,400,603
Cash flows from investing activities		
Purchase of property, machinery and equipment	(1,051,260)	(1,395,790)
Proceeds of property, machinery and equipment	2,200	-
Purchase of short term time deposit	(30,000,000)	-
Net cash (used in) investing activities	(31,049,060)	(1,395,790)
Cash flows from financing activities		
Lease liabilities paid	(745,621)	(598,968)
Dividends	-	(13,750,000)
Net cash (used in) financing activities	(745,621)	(14,348,968)
Net change in cash and cash equivalents	8,527,061	19,655,845
Cash and cash equivalents at the beginning of the period	5,891,476	36,790,341
Cash and cash equivalents at the end of the period	14,418,537	56,446,186
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	-	228,753

Finance Manager

Chief Executive Officer

Chairman of Board of Directors

The accompanying notes from (1) to (17) 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 SIX-MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

1- ORGANIZATION AND ACTIVITIES

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

The activities of the Company include manufacturing of ordinary cement (Portland), manufacturing of salt-resistant cement, manufacturing of white cement, manufacturing of agglomerated cement (clinker), accordance with the Industrial License No. 1549, issued on 5 Rajab 1435 H (corresponding to 5 May 2014), and renewed with License No. 441110124882, issued on 7 Rajab 1444 AH (corresponding to 12 February 2023), and where the license expires on 2 Shaban 1445 AH (corresponding to 12 February 2024).

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

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

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

2- BASIS OF PREPARATION CONDENSED INTERIM FINANCIAL STATEMENTS

2-1 STATEMENT OF COMPLIANCE

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

2-2 PREPARATION OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

2-3 FUNCTIONAL AND PRESENTATION CURRENCY

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

3- NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

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

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

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Use of judgments and estimates

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

Derecognition

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

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value definition includes the assumption that the Company will continue its operations where there is no intention or condition to physically limit the volume of its operations or conduct a transaction with negative terms.

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

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

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

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

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

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

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

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

All liabilities are current as follows:

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

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

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

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

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

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

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

Projects under Construction

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

Intangible assets

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

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

Impairment of assets

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

When an impairment loss subsequently reverses other than goodwill, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the condensed interim statement of profit or loss.

Inventories

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

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

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable

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

Cash and cash equivalent

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

Loans

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

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

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

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

Provisions

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

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

Accounts payable, accrued expenses and other credit balances

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

Value added tax

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

Zakat provision

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

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

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

4-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Board of directors remunerations

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

Leases

Company as a lessor

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

Company as a lessee

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

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

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

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

Short-term and low-value leases

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

Revenue

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

Step 1: Identify the contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

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

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

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

Other Revenue

Other revenues are recognized when realized.

Expenses

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

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

4-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent Liabilities and assets

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

Offset

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

Earnings per share

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

Segment information

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

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at year's end. Gains and losses from settlement and translation of foreign currency transactions are included in the condensed interim statement of profit or loss.

5- INVENTORIES

	30 June 2023 SAR (Unaudited)	31 December 2022 SAR (Audited)
Goods in process*	342,508,834	297,182,109
Spare parts	27,318,719	20,680,280
Raw materials	5,027,061	6,216,685
Finished goods	4,731,895	5,449,244
Fuel and oil	3,943,637	2,257,068
Packaging and other materials	2,044,533	3,223,756
	385,574,679	335,009,142

*Goods in process mainly comprise of Clinker material. As at 30 June 2023, Clinker inventory balance amounted to SAR 340,4 million (31 December 2022: SAR 295,6 million). Clinker is the main material used by the Company in the production of cement (finished goods). This material is stored in large areas of the plant's land and according to the estimations the company's production management, this material can maintain its quality for a period of five years.

6- MARGIN OF LETTER OF GUARANTEE

The company signed a facility agreement with Riyadh Bank on March 21, 2021, with the possibility that the cash insurance amounting to 50 million SAR, which represents 50% of the cash cover of the letter of guarantee in favor of the Ministry of Energy and Mineral Resources, or that this amount be used as a deposit in exchange for facilities for the purpose of issuing this guarantee. This deposit is paid quarterly at variable rates, as the returns during the six-month period ending on June 30, 2023 amounted to 707,167 SAR, and during the second quarter of 2023, the company received a written letter from the Ministry of Energy to release the bank guarantee amounting to 100 million SAR, and the amount of the bank guarantee amounting to 50 million SAR was received on April 12, 2023, bringing the total value of the deposit as of June 30, 2023, the amount of nothing. (December 31, 2022 : the amount of 51,034,237 SAR).

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

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

	30 June 2023 SAR (Unaudited)	31 December 2022 SAR (Audited)
Accounts receivable	8,805,301	7,583,811
(Less): Provision of expected credit loss	(872,929)	(872,929)
Net accounts receivable	7,932,372	6,710,882
Prepaid expenses	12,027,009	13,178,224
Cover letters of guarantee	1,150,000	-
(Less): Legal case impairment	(10,000,000)	(10,000,000)
	11,109,381	9,889,106
Advances to contractors and suppliers	1,530,145	1,099,787
Other	274,520	-
	12,914,046	10,988,893

Below is the movement in provision for expected credit losses:

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

8- STATUTORY RESERVE

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

9- SAUDI INDUSTRIAL DEVELOPMENT FUND LOAN

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

	30 June 2023 SAR (Unaudited)	31 December 2022 SAR (Audited)
Balance at the beginning of the period/ year	323,000,000	378,000,000
Loan payments during the period/ year	-	(55,000,000)
Balance at the end of the period/ year	323,000,000	323,000,000
(Less): Deferred administrative financing costs	(3,461,043)	(5,369,282)
Balance at the end of the period/ year	319,538,957	317,630,718
SIDF loan: current portion	172,360,899	111,572,279
SIDF loan - non-current portion	147,178,058	206,058,439

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

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

9- SAUDI INDUSTRIAL DEVELOPMENT FUND LOAN (CONTINUED)

- On 23 Dhu al-Qi'dah 1438 H (15 August 2017), a letter was signed to amend the original terms the loan which included decreasing the loan amount to SAR 656,876,000, amending the payments to be 15 unequal semi-annual installments and amending first installment due date to be 15 Shaban 1439H (1 May 2018) without amending the last installment due date. Deferred finance costs represent fee deducted in advance upon receipt of the loan. These fees are amortized over the term of the related loan using the effective interest rate. Follow-up fees have incurred in these loans.
- Deferred financing costs represent the amounts discounted in advance upon receipt of the loan. These fees are amortized over the relevant loan term using the effective interest rate, and follow-up fees are incurred on the obligations of those loans.
- **Below are maturities of SIDF loan:**

<u>Year</u>	30 June 2023 SAR (Unaudited)	31 December 2022 SAR (Audited)
2023	115,000,000	115,000,000
2024	134,000,000	134,000,000
2025	74,000,000	74,000,000
	323,000,000	323,000,000

10- ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER PAYABLES

	30 June 2023 SAR (Unaudited)	31 December 2022 SAR (Audited)
Contractors and suppliers	25,978,409	30,196,359
Exploitation fees - Ministry of Energy (A)	36,320,867	29,683,958
Retention amounts for maintenance works (B)	8,965,632	5,365,300
Follow-up fees of SIDF Loan (C)	2,029,153	2,050,170
Accrued expenses	3,889,635	2,919,558
Value added tax and withholding tax	168,762	320,198
Due to employees	1,719,172	1,798,315
Advances from customers	1,026,124	660,793
	80,097,754	72,994,651

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

11- EARNING PER SHARE

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

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

12- LIQUIDITY RISKS

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

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

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

	3 months or less SAR	More than 3 months to 1 year SAR	More than 1 year up to 10 years SAR	No specific maturity dates SAR	Total SAR
30 June 2023					
Assets					
Short term time deposit	30,000,000	-	-	-	30,000,000
Accounts receivable	8,805,301	-	-	-	8,805,301
Cover letters of guarantee	1,150,000	-	-	-	1,150,000
Total	39,955,301	-	-	-	39,955,301
Liabilities					
Saudi Industrial Development Fund (SIDF) Loan	115,000,000	60,000,000	148,000,000	-	323,000,000
Provision for dismantling, removing and rehabilitation of areas subject to franchise license	-	-	3,967,488	11,533,987	15,501,475
Lease liabilities	123,363	266,994	385,495	-	775,852
Employees benefit obligations	-	-	-	3,203,218	3,203,218
Accounts payable, accrued expenses and other creditors	80,097,754	-	-	-	80,097,754
Zakat provision	-	4,555,186	-	-	4,555,186
Total	195,221,117	64,822,180	152,352,983	14,737,205	427,133,485

The following is the maturities of assets and liabilities as at 31 December 2022 (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
31 December 2022					
Assets					
Margin of letter of guarantee	-	-	-	51,034,237	51,034,237
Accounts receivable	7,583,811	-	-	-	7,583,811
Total	7,583,811	-	-	51,034,237	58,618,048
Liabilities					
Saudi Industrial Development Fund (SIDF) Loan	55,000,000	60,000,000	208,000,000	-	323,000,000
Provision for dismantling, removing and rehabilitation of areas subject to franchise license	-	-	3,772,493	11,063,485	14,835,978
Lease obligations	123,363	753,065	615,721	-	1,492,149
Employees benefit obligations	-	-	-	3,080,014	3,080,014
Accounts payable, accrued expenses and other credit balances	72,994,651	-	-	-	72,994,651
Zakat provision	-	8,050,091	-	-	8,050,091
Total	128,118,014	68,803,156	212,388,214	14,143,499	423,452,883

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

13- CONTINGENT LIABILITIES

- The company has capital commitments represented in the purchase of one of the components of the cement mill for an amount of 4.6 million SAR as of June 30, 2023. An amount of SR 1.1 million has been paid out of the total cost of the asset estimated at SR 5.7 million.

14- 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.

15- CORRECTION OF PRIOR YEARS ERRORS

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

<u>Interim condensed statement of profit or loss and other comprehensive income</u>	For the six-month period ended 30 June 2022		
	Balance before adjustment	Adjustment	Restated Balance
	SAR	SAR	SAR
Cost of sale	(84,421,865)	1,003,138	(83,418,727)
Gross profit	40,662,577	1,003,138	41,665,715
Operating profit	33,300,590	1,003,138	34,303,728
Profit before zakat	26,378,996	1,003,138	27,382,134
Net profit for the period	22,178,996	1,003,138	23,182,134
Total comprehensive income for the period	22,974,500	1,003,138	23,977,638
Basic and diluted earnings per share in net profit for the period	0.40	0.02	0.42
<u>Interim condensed statement of cash flows</u>	For the six-month period ended 30 June 2022		
	Balance before adjustment	Adjustment	Restated Balance
	SAR	SAR	SAR
Cashflows from operating activities			
Net profit for the period before Zakat	26,378,996	1,003,138	27,382,134
Inventory	(25,141,911)	3,607,069	(21,534,842)
Accounts payable, accrued expenses and other credit balances	10,482,749	2,603,932	13,086,681
<u>Interim condensed statement of changes in equity</u>	As at 1 January 2022		
	Balance before adjustment	Adjustment	Restated Balance
	SAR	SAR	SAR
Retained earnings	169,685,593	3,424,223	173,109,816

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

16- SUBSEQUENT EVENTS

In the opinion of the management, there were no other significant events subsequent to 30 June 2023 that are expected to have a significant impact on these condensed interim financial statements as at 30 June 2023.

17- APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the board of directors on 22 Muharram 1445 H corresponding (9 August 2023 G).