

AL JOUF CEMENT COMPANY
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31
MARCH 2022 AND
INDEPENDENT AUDITOR'S REVIEW REPORT**

AL-JOUF CEMENT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-month period ended 31March 2022

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

TO THE SHAREHOLDERS OF
AL JOUF CEMENT COMPANY (A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Jout Cement Company, a Saudi Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2022, and the interim condensed consolidated statements of comprehensive income for the three-month periods then ended, and the interim condensed consolidated statements of changes in shareholders' equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and notes from (1) to (14) Which is an integral part of the interim condensed consolidated financial statements.

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

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements (2410) "Review of interim financial information performed by the independent auditor of the entity which that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed consolidated 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 in 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.

Basis of Qualified Conclusion

As shown in Note No.4, the company prepared a study for impairment of the value of property, machinery and equipment, which amounted to 1,706 million riyals as on March 31 2022 (1,715 million riyals as on December 31, 2021) through appointing an external consultant and it caused an impairment of 63.2 million Saudi riyals ,the impairment loss was recorded in the consolidated statement of comprehensive income for the year ended 31 December 2021, We were not able to obtain sufficient appropriate audit evidence to verify the validity of the assumptions and estimates used by management and the external consultant and the reasonableness of the basis that were used to prepare this study. Accordingly, we were unable to determine whether there was a need to make any adjustments to the value of property, plant and equipment as on March 31, 2022.

Conclusion

Based on our review, except the matter disclosed in the basis of qualified conclusion above nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared ,in all material respects ,in accordance with International Accounting Standard (34) approved in the Kingdom of Saudi Arabia.

Other matter

The interim condensed consolidated financial statements of the Group for the three-month periods ended 31 March 2021 have been reviewed by another auditor who have issued an unmodified conclusion on those interim condensed consolidated financial statements on 3 May 2021 (corresponding to 21 Ramadan 1442H). We also reviewed the amendments shown in Note (12) and nothing has come to attention that makes us believe that they are inappropriate.

For Dr. Mohamed Al-Amri & Co.



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



02/11/1443(H)
01/06/2022(G)

AL JOUF CEMENT COMPANY
SAUDI JOINT STOCK COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022
(EXPRESSED IN SAUDI RIYALS)

	<i>Note</i>	March 31, 2022 <i>(unaudited)</i>	December 31, 2021 <i>(audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	(4)	1,706,891,781	1,714,828,912
Intangible assets		1,788,494	1,882,625
Right to use assets		505,281	561,034
Financial assets at fair value through other comprehensive income	(5)	-	-
<i>Financial</i> assets at fair value through profit and loss		9,490,738	9,174,155
Total non-current assets		1,718,676,294	1,726,446,726
Current assets			
Inventory		158,123,452	145,656,524
Trade receivables		26,828,890	19,590,304
Due from related parties	(6)	-	-
Other current assets		14,222,582	11,364,481
Cash and cash equivalents		8,120,661	13,115,855
Total current assets		207,295,585	189,727,164
TOTAL ASSETS		1,925,971,879	1,916,173,890
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1,430,000,000	1,430,000,000
Statutory reserve		51,386,441	51,386,441
Retained earnings /(accumulated losses)		(337,562,858)	(343,113,599)
Reserve for fair value of investments		(46,000,000)	(46,000,000)
Reserve for foreign currency translation		(63,150)	(63,150)
Remeasurement for Employees' End of Service		(1,728,804)	(1,728,804)
Total Equity		1,096,031,629	1,090,480,888
Non-current liabilities			
Long term loans	(7)	493,203,402	494,103,401
Lease liabilities - Non-current		354,107	354,107
Provision for Employees' End of Service		10,938,590	10,764,036
Total non-current liabilities		504,496,099	505,221,544
CURRENT LIABILITIES			
Long Term Loans - current portion	(7-a)	113,763,274	126,399,504
Bank overdraft		5,656,798	-
Lease liabilities - current portion		215,225	206,927
Trade payables		77,546,510	65,647,256
Due to related parties		-	-
Accrued expenses and other credit balances		24,406,989	22,862,416
Retention payable		11,029,078	11,029,078
Other provisions		30,349,903	30,349,903
Loan guarantee obligations		49,549,920	49,549,920
Provision for Zakat	(8)	12,926,454	14,426,454
Total current liabilities		325,444,151	320,471,458
TOTAL LIABILITIES		829,940,250	825,693,002
TOTAL EQUITY AND LIABILITIES		1,925,971,879	1,916,173,890

The accompanying notes 1 to 14 are an integral part of these interim condensed consolidated financial statements.

AL JOUF CEMENT COMPANY
SAUDI JOINT STOCK COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE-MONTH AND NINE -MONTH PERIODS ENDED MARCH 31, 2022
(EXPRESSED IN SAUDI RIYALS)

	Note	For the three- month period ended 31 March	
		2022 Unaudited	2021 Unaudited-Adjusted
Revenue		48,813,617	67,888,652
Cost of revenue		(34,893,441)	(34,650,049)
Gross profit		13,920,176	33,238,603
Selling and distribution expenses		(1,268,286)	(1,149,927)
General and administrative expenses		(4,761,270)	(4,736,193)
Operating profit		7,890,620	27,352,483
Gains of financial assets at fair value through profit or loss		316,604	475,459
Finance costs		(4,336,790)	(5,559,786)
Other income / (expenses) - net		180,307	217,994
Profit for the period before zakat		4,050,741	22,486,150
Zakat	(8)	(500,000)	(1,500,000)
Zakat provision reversed	(8)	2,000,000	-
Profit for the period		5,550,741	20,986,150
Other comprehensive income			
Items that will not be reclassified subsequently in profits or losses:			
Financial assets at fair value through other comprehensive income		-	-
Total of other comprehensive income for the period		5,550,741	20,986,150
Earnings per share			
Basic and loss per share from net profit for the period	(10)	0,04	0,15

The accompanying notes 1 to 14 are an integral part of these interim condensed consolidated financial statements.

AL JOUF CEMENT COMPANY
SAUDI JOINT STOCK COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022
(EXPRESSED IN SAUDI RIYALS)

	Share capital	Statutory reserve	(Accumulated losses)	Reserve for fair value of investments	Reserve for foreign currency translation	Remeasurement for Employees' end of service	Total Shareholders' Equity
Balance at January 1, 2021	1,430,000,000	51,386,441	4,094,496	(22,875,585)	(61,176)	-	1,462,544,176
Adjustments (note 12)	-	-	(196,231,977)	(23,124,415)	-	(498,824)	(219,855,216)
Balance at 1 January 2021 (adjusted)	1,430,000,000	51,386,441	(192,137,481)	(46,000,000)	(61,176)	(498,824)	1,242,688,960
Profit for the period(adjusted - note 12-1)	-	-	20,986,150	-	-	-	20,986,150
Other comprehensive income	-	-	-	-	-	-	-
Total Comprehensive income	-	-	20,986,150	-	-	-	20,986,150
Balance at March 31, 2021 (unaudited)	1,430,000,000	51,386,441	(171,151,331)	(46,000,000)	(61,176)	(498,824)	1,263,675,110
Balance at January 1, 2022	1,430,000,000	51,386,441	(343,113,599)	(46,000,000)	(63,150)	(1,728,804)	1,090,480,888
Profit for the period	-	-	5,550,741	-	-	-	5,550,741
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	5,550,741	-	-	-	5,550,741
Balance at March 31, 2022 (unaudited)	1,430,000,000	51,386,441	(337,562,858)	(46,000,000)	(63,150)	(1,728,804)	1,096,031,629

The accompanying notes 1 to 14 are an integral part of these interim condensed consolidated financial statements.

AL JOUF CEMENT COMPANY
SAUDI JOINT STOCK COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022
(EXPRESSED IN SAUDI RIYALS)

	For the three-month period ended March 31	
	2022	2021
	(unaudited)	(unaudited - Adjusted)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit for the period before zakat	4,050,741	22,486,150
Adjustments to reconcile net profit to net cash provided from operating activities:		
Depreciation of property, plant and equipment	8,400,072	8,656,683
Amortization of intangible assets	94,131	-
Depreciation of right to use assets	64,051	-
Finance cost	4,336,790	5,559,786
Employees' end of service benefit	1,189,559	745,445
(Profits) losses of financial assets at fair value through profit or loss	(316,583)	(475,459)
Adjusted net profit	17,818,761	36,972,605
Changes in items of operating assets and liabilities		
Inventory	(12,466,928)	(11,297,209)
Trade receivables	(7,238,586)	(9,109,559)
Due from related parties	-	-
Prepayments and other debit balances	(2,858,101)	(9,563,565)
Trade payables	11,899,254	17,653,523
Accrued expenses and other credit balances	1,544,573	3,998,390
Provision End of Service Indemnity Paid	(1,015,005)	(464,125)
Paid Finance cost	(4,336,790)	(5,559,786)
Net cash from operating activities	3,347,178	22,630,274
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property, plant and equipment	(462,941)	(258,067)
Net cash used in investing activities	(462,941)	(258,067)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net change of loans	(13,536,229)	(4,000,000)
Bank overdraft	5,656,798	-
Net cash (used in) / from financing activities	(7,879,431)	(4,000,000)
change in cash and cash equivalents	(4,995,194)	18,372,207
Cash and cash equivalents at beginning of period	13,115,855	5,854,230
Cash and cash equivalents at end of period	8,120,661	24,226,437

The accompanying notes 1 to 14 are an integral part of these interim condensed consolidated financial statements.

AL JOUF CEMENT COMPANY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(UNAUDITED) FOR THE -THREE-MONTH PERIOD ENDED MARCH 31, 2022 (EXPRESSED IN SAUDI RIYAL)

1. COMPANY PROFILE

Al-Jouf Cement Company (the “Parent Company”) is a Saudi joint stock company established in accordance with the Companies Regulation in the Kingdom of Saudi Arabia. The company operates under Commercial Registration No. 1010225259 issued in the city of Riyadh on Dhul Qaidah 1, 1427 H (corresponding to November 22, 2006).

The main activity of the company is the manufacture of ordinary cement (Portland), the manufacture of salt-resistant cement, the manufacture of white cement, the manufacture of agglomerated cement (clinker), the manufacture of pozzolanic cement.

The consolidated financial statements consist of the financial statements of Jouf Cement Company (“the Parent company”) and its 100% wholly owned subsidiaries collectively referred to as (“the Group”):

- 1- Al-Jouf Cement Company - Jordan, a limited liability company, based in Amman, the Hashemite Kingdom of Jordan,
- 2- Al-Jouf Investments Company, a limited liability company, based in Riyadh, Kingdom of Saudi Arabia.
- 3- Jahez Al-Jouf company limited (“one person company”), a limited liability company based in Riyadh - Kingdom of Saudi Arabia.

The registered address of the company is in the city of Riyadh, Al-Rabwa district, Omar Bin Abdulaziz Road, next to Al-Tamimi Markets Building, P.O. 295689, Kingdom of Saudi Arabia. The parent company operates in the Kingdom of Saudi Arabia through its branches located in various regions of the Kingdom of Saudi Arabia.

1.2 Continuity of the group and accumulated losses

The Group earned a net income of 5,5 million Saudi riyals during the period ended March 31, 2022 (the year ended 31 December 2021: loss of 151 million Saudi riyals). At that date, the group’s current liabilities exceeded its current assets by 118.1 million Saudi riyals (the year ended December 31, 2021: 130.7 million Saudi riyals), and the group’s accumulated losses reached 337.6 million Saudi riyals (December 31, 2021: 343.1 million Saudi riyals) which exceeded 20% of the group’s capital. These circumstances cast doubt on the Group’s ability to continue as a going concern. On a subsequent period of the consolidated financial statements, the company’s board of directors recommended to the shareholders a capital reduction of 24% to offset the accumulated losses to restructure the capital. At the same meeting, after the capital reduction process was completed, they also recommended to increase the capital through a rights issue of 300 million riyals, so that the capital after the increase to become 1,387 million Saudi riyals, and the recommendation of the Board of Directors was not yet approved until the date of the financial statements (Note 13).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE GROUP

2.1 Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard, “Interim Financial Reporting” “IAS 34” that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements. They should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2021. In addition, results for the interim period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

AL JOUF CEMENT COMPANY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(UNAUDITED)
FOR THE -THREE-MONTH PERIOD ENDED MARCH 31, 2022
(EXPRESSED IN SAUDI RIYAL)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE GROUP (Continued)

2.1 Basics of preparation (continued)

The interim condensed consolidated financial statements have been prepared on a historical cost basis except for financial derivatives that have been measured at fair value and for employee benefits, projected unit credit method is used. The interim condensed consolidated financial statements are presented in Saudi Riyals ("SR"), which is the functional and presentational currency of the Group, unless otherwise indicated.

2.2 Significant accounting judgments, estimates and assumptions

The preparation of the Group's condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, accompanying disclosures and the disclosure of contingent liabilities. Actual results may differ from these estimates.

The significant judgments made by management in applying the main sources of estimation uncertainty for the Group were similar to those disclosed in the consolidated financial statements for the year ended December 31, 2021. However, the Group has reviewed the key sources of estimation of uncertainty that were disclosed in the 2021 annual consolidated financial statements against the backdrop of the COVID-19 pandemic. Management believes that all sources of uncertainty is still similar to those disclosed in the annual consolidated financial statements for the year 2021. The Group will continue to monitor the situation, and any required changes will be reflected in future reporting periods.

2.3 New standards, amendments and interpretations that are applied by the group

The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2021, except for the following amendments that apply for the first time in 2022. However, not all of them are expected to affect the group as they are either not relevant to the group's activities or require accounting in line with the group's current accounting policies.

The following amendments are effective for the period beginning on January 1, 2022:

- Contracts with obligations - the cost of completing the contract (amendments to IAS 37);
- property, plant and equipment: proceeds before intended use (amendments to IAS 16);
- Annual improvements to IFRS 2018-2020 (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); And
- References to the conceptual framework (amendments to IFRS 3).

These amendments did not have any impact on the group's condensed consolidated interim financial statements as there are no such transactions under the above mentioned amendments during the current period.

AL JOUF CEMENT COMPANY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(UNAUDITED)
FOR THE -THREE-MONTH PERIOD ENDED MARCH 31, 2022
(EXPRESSED IN SAUDI RIYAL)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE GROUP (Continued)

2.3 New standards, amendments and interpretations that are applied by the group (Continued)

The impact of accounting standards that will be applied in future periods

There are a number of standards and interpretations issued by the International Accounting Standards Board that are effective for periods beginning after December 31, 2022 (the date of the next annual financial statements of the Group) which the Group decided not to adopt it early. The Group does not believe that these standards and interpretations will have a material impact on the financial statements once they are applied.

2.4 Basis of consolidation

The interim condensed consolidated financial statements comprise the interim financial statements of the company and its subsidiaries (the "Group") as at March 31, 2022. Control is achieved when the Group owns, or has rights, to variable returns from its transactions with the investee, and the Group has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (eg, existing rights that give the group the current ability to direct the relevant activities of the investee).
- The right or rights to obtain variable returns as a result of participation with the investee.
- The ability to use its influence on the investee to influence its returns.

In general, there is an assumption that the majority of voting rights will result in control. In order to support this presumption and when the Group has less than a majority of the voting or similar rights in an investee, the Group considers all relevant facts and circumstances when assessing whether the Group has power over an investee. Those facts and circumstances include the following:

- Contractual arrangements with others who have the right to vote in the investee company.
- Rights arising from other contractual arrangements.
- Voting rights and potential voting rights of the Group.

The Group reassesses whether or not it still controls an investee when facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of the subsidiary company begins from the date of the group's control over the subsidiary and continues until the control of the subsidiary ceases to exist. Assets, liabilities, income and expenses of a subsidiary acquired or sold during the period are included in the interim condensed consolidated financial statements from the date the Group acquires control until the date the Group loses control of the subsidiary.

If necessary, adjustments are made to the financial statements of the subsidiary company in case there are material differences between the parent company and its subsidiaries in order to reconcile its accounting policies with the financial policies of the group. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to intra-group transactions are eliminated in full on consolidation of the financial statements.

Any change in the ownership interest in a subsidiary that does not result in a loss of control is processed within equity.

If the group loses control of a subsidiary, it derecognizes the assets (including goodwill, if any), liabilities and any other components of equity of the subsidiary, and any gain or loss resulting from the loss of control is recorded in the condensed consolidated interim statement of comprehensive income. Any share of the investment that is retained is recorded at fair value.

AL JOUF CEMENT COMPANY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(UNAUDITED)
FOR THE -THREE-MONTH PERIOD ENDED MARCH 31, 2022
(EXPRESSED IN SAUDI RIYAL)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE GROUP (Continued)

2.4 Basis of consolidation(Continued)

Below are the details of the subsidiaries:

<u>Company Name</u>	<u>Country</u>	<u>Legal Entity</u>	<u>Ownership</u>	<u>Activity</u>
Al-Jouf Cement Company (Jordan)	The Hashemite Kingdom of Jordan	A limited liability company	100%	Import, export, wholesale and retail trade in the products of Al-Jouf Cement Company and Building Materials.
Al-Jouf Investments Company	Kingdom of Saudi Arabia	A limited liability company	100%	Wholesale and retail trade of cement and its derivatives, commercial undertakings, import and export services, and marketing for others.
Jahez AlJouf Investments Company	Kingdom of Saudi Arabia	A limited liability company	100%	Wholesale of cement and it's similar, transport of merchandise.

3. SEGMENT INFORMATION

The Group is engaged in one operating segment, i.e.; manufacturing cement and operates entirely in the Kingdom of Saudi Arabia and other countries. Further, no financial information has segregated into various business and locations. The financial information of the subsidiary is not significant to Group's interim statements condensed consolidated financial for segmental information.

4. PROPERTY, PLANT AND EQUIPMENT

the movement in property, plant and equipment during the three-month period ended March 31 is as follows:

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)- adjusted
Depreciation	8,400,072	8,656,683
Addition property, plant and equipment	462,941	258,067

All plant lines, equipment, machinery and equipment and all plant accessories including transportation, cars and office furniture have been mortgaged against the Industrial Development Fund loan (Note7).

The company prepared impairment study as of December 31, 2021 for the main production lines in the factory. The company reached impairment in the value of the machines by an amount of 63 million Saudi riyals after adjusting the book value of the assets to exclude the impact of interest on loans and periodic maintenance expenses that are not eligible for capitalization that were charged to the projects during the years. The previous year amounted to 104 million Saudi riyals, and the company recorded the impairment amount on the statement of comprehensive income for the year ended December 31, 2021.

AL JOUF CEMENT COMPANY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(UNAUDITED)
FOR THE -THREE-MONTH PERIOD ENDED MARCH 31, 2022
(EXPRESSED IN SAUDI RIYAL)

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME:

		March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
	Equity%		
Investments in companies share:			
Eastern Industrial Company *	10%	46,000,000	46,000,000
(Closed Saudi Joint Stock Co.)			
Less:Fair value reserve for investment in		(46,000,000)	(46,000,000)
Eastern Industrial Company		-	-

During the previous years, the company reduced the investment value to zero through the fair value reserve for investment in equity due to accumulated losses incurred in addition to the shareholders' decision to liquidate the company and a liquidator was appointed to carry out the liquidation work.

During the period on 21 Jumada Al-Thani 1443 corresponding to January 24, 2022, a claim was received from the Saudi Industrial Development Fund to pay an amount of 49,549,920 riyals due to the failure of the guaranteed company (Sharqiya Industrial Company) an investee company. Accordingly the company has recognized the full amount in the financial year December 31,2021 under provisions against liabilities.

6. RELATED PARTIES TRANSACTIONS

Related parties represent major shareholders, members of the board of directors and senior management personnel in the group and establishments managed or over which significant influence is exercised by these parties. The following is a statement of the parties related to the group:

6.1 Due from Related Parties

		March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Due from Related Parties:	Nature of relationship		
Eastern Industrial Company	Investment at fair value	41,268,824	41,268,824
Less: Decrease in the value of	through other	(41,268,824)	(41,268,824)
related parties	comprehensive income	-	-

During the fiscal year ending on December 31, 2019, the dept of the Eastern Industrial Company was recorded in the consolidated statement of financial position, which resulted from the guarantee of Al-Jouf Cement Company for the company's loan from Bank Al-Jazira, as the company did not fulfill its obligations. The bank, under the guarantee, transferred the value of the loan along with the bank charges to Al-jouf Cement Company.

During the fiscal year ending on December 31, 2020, a provision was made for impairment in the value of the receivable from the Eastern Industrial Company in full.

On 21 Jumada Al-Thani 1443 corresponding to January 24, 2022 , a claim was received from the Saudi Industrial Development Fund to pay an amount of 49,549,920 riyals due to the failure of the guaranteed company (Sharqiya Industrial Company) an investee company. Accordingly the company has recognized the full amount in the financial year December 31,2021 under provisions against liabilities.

AL JOUF CEMENT COMPANY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(UNAUDITED)
FOR THE -THREE-MONTH PERIOD ENDED MARCH 31, 2022
(EXPRESSED IN SAUDI RIYAL)

6.RELATED PARTIES TRANSACTIONS(continued)**6.2 Allowances and remunerations for board members and senior executives:**

It represented the compensation of senior management executives and the board of directors during the period:

	For the three - month period ended 31 March	
	2022 (Unaudited)	2021 (Unaudited)
Salaries and other benefit	779,370	756,730
End of service benefits	64,947	63,061
Rewards and allowances for attending the meetings	798,499	863,999
	1,642,816	1,683,790

7. LONG TERM LOANS

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Current portion of long term loans		
Industrial Development Fund loan*	61,000,000	62,000,000
SABB Bank loan**	33,038,255	30,902,608
Alinma Bank loan***	7,500,000	15,600,000
Al-Jazira Bank loan****	12,225,019	17,896,896
Total current portion of long term loans	113,763,274	126,399,504
Non-current portion of long term loans		
SABB Bank loan**	147,421,498	156,459,753
Alinma Bank loan***	339,500,000	331,400,000
Al-Jazira Bank loan****	6,281,904	6,243,648
Total non-current portion of long term loans	493,203,402	494,103,401

* On February 27, 2010, the parent company obtained a loan from the Saudi Industrial Development Fund amounting to 483.5 million Saudi riyals under the agreement concluded with the fund, and the financing limit of the loan is 483.5 million Saudi riyals.

This loan is secured by mortgaging all existing or constructed buildings in the concession area granted to the company, located in the southeast of Turaif Governorate, on which the company's factory is located. According to the agreement, the last installment of this loan is due on November 4, 2017.

** On June 16, 2015, an Islamic Murabaha financing contract was signed with SABB Bank, amounting to 365 million riyals, according to the internal borrowing rate of Saudi banks plus a profit margin. This loan is guaranteed by promissory note to extend previous loan and the payment rescheduled for a semi-annual and the first installment begins in March 2016. During the period, an agreement was concluded with the bank to reschedule the loan from April 2022 until April 2027.

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7.LONG TERM LOANS(continued)

*** On March 9, 2015, the parent company signed a bank facility agreement to obtain a long-term loan from Alinma Bank in the amount of 350 million Saudi riyals, and the financing limit for this agreement is 450 million Saudi riyals. This loan was obtained in the form of deferred sale financing with a profit margin estimated according to the internal borrowing rate between Saudi banks plus a profit margin. The term of the agreement is 7 years, with the first installment to be paid in 2017. During the period, an agreement was concluded with the bank to reschedule the loan from August 2022 until August 2029.

**** It is represented in recording the dept of the Eastern Industrial Company (invested company Note 5 and 6), in the consolidated statement of financial position ended on March 31, 2019, resulting from the guarantee of the Al-Jouf Cement Company for the company's loan from Al-Jazira Bank, as the company did not fulfill its obligations, accordingly the Bank Under the guarantee, was transferred the debt to Al Jouf cement Group and to pay the amount through six semi-annual installments and the first begins in December 2020.

7-a Bank overdraft

During the period, the installment of Bank Al-Jazira was due, which led to present the balance as liability in the finical statement .

8. ZAKAT

The Group's zakat movement as follow:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of the period / year	14,426,454	6,381,202
Provided during the period / year	500,000	13,000,000
Paid during the period / year	-	(4,954,748)
Reversed during the period / year	(2,000,000)	-
Balance at the end of the period / year	12,926,454	14,426,454

For Years 2014 till 2018

The company submitted its zakat returns and obtained a zakat certificate. A zakat assessment was issued for these years in the amount of 34.3 million Saudi riyals. An objection was made and it accepted partially. The objection was escalated to the General Secretariat of the Tax Committees and a decision was issued by the committee for the years 2014 and 2015 to cancel the authority's procedure for the year 2014. As for the year 2015, the appeal is ongoing, the rest of the years from 2016 to 2018, no decision was issued by the committee.

Years 2019 and 2020

The company submitted its zakat returns and obtained the zakat certificate for these years while it is under study and discussion with the authority, where a zakat assessment was issued with a total amount of 3.4 million Saudi riyals, The objection was rejected from the authority, a payment was made under the account to complete the objection procedures and escalated to the committee (GSTC).

Year 2021:

The company submitted its zakat declaration and obtained a zakat certificate.

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9. FAIR VALUE MEASUREMENT

Fair value is the amount received when an asset is sold or paid to transfer a liability in an organized transaction between market participants on the date of measurement.

The Group's financial assets consist of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss , cash and cash equivalents, trade receivables and other receivable balances and amounts due from related parties, and the financial liabilities consist of trade payable, accrued expenses and other credit balances, lease liabilities and long term loans as below:

9.1 Financial assets:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Financial assets at fair value through other comprehensive income	-	-
Financial assets at fair value through profit and loss	9,490,738	9,174,155
Amortization Cost		
Trade receivables	26,828,890	19,590,304
Other current assets	14,222,582	11,364,481
Cash and cash equivalents	8,120,661	13,115,855
	58,662,871	53,244,795

9.2 Financial liability:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Amortization Cost		
Trade payables	77,546,510	65,647,256
Accrued expenses and other credit balances	24,976,321	23,423,450
Long Term Loans	606,966,676	620,502,905
	709,489,507	709,573,611

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

The first level: the market prices announced in the active markets for the same financial instruments.

Level Two: Valuation methods based on inputs that affect the fair value and can be directly or indirectly observed in the market.

Level Three: Valuation methods that depend on inputs that affect the fair value and cannot be observed directly or indirectly in the market.

There were no transfers between Level 1, Level 2, and Level 3 during the period ending March 31, 2022.

The fair values of the Group's financial instruments have been estimated to approximate their book values and are classified within Level 1 of the fair value hierarchy for financial assets at fair value through profit or loss and Level 3 of the fair value hierarchy for financial assets at fair value through other comprehensive income. The fair value of trade receivables as at March 31, 2022 is the book value because these receivables are short term in nature.

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10. EARNINGS PER SHARE

The basic and diluted share of net profit is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding at the date of the interim condensed consolidated statement of financial position. Following is the calculation of the basic and diluted share per share:

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)
Net profit for the period (SR)	5,550,741	20,986,150
Weighted average number of shares during the period (share)	143,000,000	143,000,000
Basic and loss per share from net profit for the period (SR)	<u><u>0,04</u></u>	<u><u>0,15</u></u>

There was no dilutive component affecting the weighted average number of ordinary shares.

11. CONTINGENT OBLIGATIONS AND LIABILITIES

There has been no material change in the obligations and contingent liabilities of the Group since December 31, 2021.

12. ADJUSTMENTS AND RECLASSIFICATIONS OF PREVIOUS YEARS

During the year ended December 31, 2021, the Group identified some errors, in accordance with the requirements of International Accounting Standard No. (8): "Accounting Policies, Changes in Accounting Estimates and Errors." The correction of the errors mentioned below led to retrospective adjustments to the comparative figures as on March 31 2021, and the following is a summary of the amendments and reclassifications:

	As march 31, 2021		
<u>Consolidated statement of comprehensive income</u>	As previously stated	Adjustment	Adjusted
Cost of revenue (note A-B)	(35,748,514)	1,098,465	(34,650,049)
Profit for the period (note A-B-C)	20,912,226	1,573,924	22,486,150
Gain on financial assets at fair value through profit or loss (note C)	-	475,459	475,459
Unrealized (gain) from investments in equity instruments through other comprehensive income (note C)	475,459	(475,459)	-
Total comprehensive income for the period (note C)	19,887,685	1,098,465	20,986,150

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12.ADJUSTMENTS AND RECLASSIFICATIONS OF PREVIOUS YEARS(continued)**12.2 Statement of cash flows for the period ended March 31, 2021**

As a result of the above-mentioned amendments, the statement of cash flows for the period ending on March 31, 2021 has been amended as follows.

	As previously stated	Adjustment	Adjusted
Net cash generated from operating activities	21,207,017	1,423,257	22,630,274
Net cash generated from investing activities	1,165,190	(1,423,257)	(258,067)
Net cash used in financing activities	(4,000,000)	-	(4,000,000)

12.3 Effect on basic and diluted earnings per share (increase / (decrease) in earnings per share)

As a result of the above-mentioned amendments, the basic and diluted earnings per share for the period ending on March 31, 2021 have been modified as follows:

	As Previously stated	adjustments	Adjusted
Basic and diluted earnings per share	0,14	0,01	0,15

Details of adjustments

A. During the year ending on December 31, 2021, the group reclassified the strategic spare parts and transferred them to property, machinery and equipment, which were previously recorded in the inventory, with a value of 12.9 million Saudi riyals, and depreciated them from the date of the actual purchase. The group distributed the amount for the years to which it belongs, this affects the consolidated financial statement through increase in depreciation for the period ending on March 31, 2021 by 324,792 Saudi riyals.

B. The group has studied spare parts for machines and ovens previously capitalized within property, machinery and equipment as on December 31, 2020: 20.9 million Saudi riyals, (1 January 2020: 19.9 million Saudi riyals), as the management considered that these parts are not used for more than One year and relates to periodic maintenance expenses, and the group closed the balance in full and distributed the amount for the years to which it belongs. The impact on the consolidated financial statements is an increase in the profit for the period ending on March 31, 2021 by 1,423,257 Saudi riyals.

c. The company observed that some investments in equity as on December 31, 2020 amounting to 7.8 million Saudi riyals (1 January 2020: 9.6 million Saudi riyals) were previously classified as investments at fair value through other comprehensive income. The management has evaluated the classification of all investments classified as FVTOCI, in accordance with the requirements of International Disclosure Standard No. 9. As a result, the management has reclassified the investments balance amounting to 7.8 million Saudi riyals as of December 31, 2020 Saudi (January 1, 2020: 9.6 million Saudi riyals) from the investment account at fair value through other comprehensive income to the investment account at fair value through comprehensive income. As a result of this reclassification process, and the impact on the consolidated financial statements is an increase in the profit for the period ending on March 31, 2021 by 475,459 Saudi riyals.

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13. SUBSEQUENT EVENTS

On a subsequent period to the interim condensed consolidated financial statements on April 03, 2022 corresponding to Ramadan 02 1443, the company's board of directors recommended to shareholders a capital reduction of 24% to offset the accumulated losses to restructure the capital as on 31 December 2021. At the same meeting, after the capital reduction process was completed, it was recommended to increase the capital through a rights issue of 300 million riyals, so that the capital after the increase became 1,387 million Saudi riyals, and the recommendation of the Board of Directors was not approved until the date of the financial statements.

14. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINACIAL STATEMENTS

The group's interim condensed consolidated financial statements for the Three-month period ending on March 31, 2022 were approved by a Board of Directors resolution on 23/10/1443(H) corresponding to 24/05/2022(G).