NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

Najran Cement Company
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT

For the three-month and nine-month periods ended 30 September 2023

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Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
King's Road Tower, 13th Floor
King Abdul Aziz Road (Malek Road)
P.O. Box 1994
Jeddah 21441
Kingdom of Saudi Arabia
Head Office – Riyadh

C.R. No. 4030276644

Tel: +966 12 221 8400
Fax: +966 12 664 4408

ey.ksa@sa.ey.com
ey.com

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF NAJRAN CEMENT COMPANY (A SAUDI JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Najran Cement Company ("the Company") and its subsidiary (collectively referred to as ("the Group")) as at 30 September 2023, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month and nine-month periods ended 30 September 2023, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and explanatory notes. Board of Directors are 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 consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with 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 statement 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.

Conclusion

Based on our review, 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 IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed unmodified opinion on those consolidated financial statements on 20 Shaban 1444H (corresponding to 12 March 2023G). Further, the interim condensed consolidated financial statements of the Group for the three month and nine-month periods ended 30 September 2022 were reviewed by the same another auditor who expressed unmodified conclusion on those interim condensed consolidated financial statements on 7 Rabi Al-Thani 1444H (corresponding to 1 November 2022G).

for Ernst & Young Professional Services

Abdullah Ali AlMakrami
Certified Public Accountant
License No. (476)

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سجل تجاري ٤٠٣٠٢٧٦٦٤٤
CR.4030276644
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Jeddah: 02 Jumada Al-Ula 1445H
(16 November 2023G)

Najran Cement Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

ASSETS	Note	*30 September 2023 (Unaudited)* SR '000	*31 December 2022 (Audited)/ (Restated) (Note 21)* SR '000	*1 January 2022 (Audited)/ (Restated) (Note 21)* SR '000
NON-CURRENT ASSETS				
Property, plant and equipment	7	**1,981,676**	1,936,487	1,963,093
Intangible assets	8	**1,544**	1,273	1,254
TOTAL NON-CURRENT ASSETS		**1,983,220**	1,937,760	1,964,347
CURRENT ASSETS				
Store, spare parts and loose tools	9	**162,595**	158,548	149,998
Stock in trade	10	**279,906**	207,008	119,327
Trade receivables	11	**21,123**	28,673	28,221
Prepayments and other receivables		**30,965**	49,529	42,727
Cash and cash equivalents		**14,058**	39,314	82,090
TOTAL CURRENT ASSETS		**508,647**	483,072	422,363
TOTAL ASSETS		**2,491,867**	2,420,832	2,386,710
EQUITY AND LIABILITIES				
EQUITY				
Share capital	12	**1,700,000**	1,700,000	1,700,000
Statutory reserve		**156,771**	156,771	145,396
Retained earnings		**141,556**	133,695	117,587
TOTAL EQUITY		**1,998,327**	1,990,466	1,962,983
NON-CURRENT LIABILITIES				
Provision for employees' benefits		**44,310**	40,215	36,849
Non-current portion of lease liability		**5,049**	5,133	5,597
Long term financing	13	**277,254**	235,654	227,500
TOTAL NON-CURRENT LIABILITIES		**326,613**	281,002	269,946
CURRENT LIABILITIES				
Zakat payable	14	**7,992**	7,904	6,134
Current portion of lease liability		**378**	464	451
Current portion of long-term financing	13	**49,627**	44,443	51,515
Short term loans	13	**20,000**	-	-
Contract liability - advances from customers		**4,792**	5,091	5,158
Trade payables		**43,491**	46,420	44,744
Dividends payable		**1,454**	1,323	1,118
Accrued and other current liabilities		**39,193**	43,719	44,661
TOTAL CURRENT LIABILITIES		**166,927**	149,364	153,781
TOTAL LIABILITIES		**493,540**	430,366	423,727
TOTAL EQUITY AND LIABILITIES		**2,491,867**	2,420,832	2,386,710

CFO	**Board of Directors member and CEO**	**Commissioned Board Member and Chairman of the Audit Committee**
Rami Jawad Abu Jneid	Mr. Abdulsalam Abdullah Aldraibi	Mr. Waleed Ahmed Bamarouf

The attached notes from 1 to 23 form an integral part of these interim condensed consolidated financial statements.

Najran Cement Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the three-month and nine-month periods ended 30 September 2023

	Note	*For the three-month period ended 30 September*		*For the nine-month period ended 30 September*	
		2023 (Unaudited) SR '000	*2022 (Unaudited) SR '000*	***2023 (Unaudited) SR '000***	*2022 (Unaudited) SR '000*
Sales	15	**113,843**	127,689	**358,823**	375,605
Cost of sales		**(81,475)**	(86,322)	**(255,676)**	(269,619)
GROSS PROFIT		**32,368**	41,367	**103,147**	105,986
Selling and distribution expense		**(2,083)**	(1,656)	**(6,394)**	(5,604)
General and administrative expense		**(9,398)**	(8,794)	**(26,729)**	(26,633)
OPERATING PROFIT		**20,887**	30,917	**70,024**	73,749
Finance costs		**(5,986)**	(3,034)	**(16,454)**	(6,868)
Other income		**1,155**	1,524	**2,905**	2,629
PROFIT BEFORE ZAKAT		**16,056**	29,407	**56,475**	69,510
Zakat	14	**(2,038)**	(1,530)	**(6,114)**	(5,090)
NET PROFIT FOR THE PERIOD		**14,018**	27,877	**50,361**	64,420
EARNINGS PER SHARE					
Basic and diluted earnings per share attributable to equity holders of the Company (SR)	16	**0.08**	0.16	**0.30**	0.38

CFO	**Board of Directors member and CEO**	**Commissioned Board Member and Chairman of the Audit Committee**
Rami Jawad Abu Jneid	Mr. Abdulsalam Abdullah Aldraibi	Mr. Waleed Ahmed Bamarouf

The attached notes from 1 to 23 form an integral part of these interim condensed consolidated financial statements.

Najran Cement Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month and nine-month periods ended 30 September 2023

	For the three-month period ended 30 September		*For the nine-month period ended 30 September*	
	2023 (Unaudited) SR '000	*2022 (Unaudited) SR '000*	***2023 (Unaudited) SR '000***	*2022 (Unaudited) SR '000*
NET PROFIT FOR THE PERIOD	**14,018**	27,877	**50,361**	64,420
OTHER COMPREHENSIVE INCOME ("OCI")				
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**14,018**	27,877	**50,361**	64,420

CFO	**Board of Directors member and CEO**	**Commissioned Board Member and Chairman of the Audit Committee**
Rami Jawad Abu Jneid	Mr. Abdulsalam Abdullah Aldraibi	Mr. Waleed Ahmed Bamarouf

The attached notes from 1 to 23 form an integral part of these interim condensed consolidated financial statements.

Najran Cement Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2023

	Notes	*Share capital* SR '000	*Statutory reserve* SR '000	*Retained earnings* SR '000	*Total Equity* SR '000
31 December 2022 - as previously reported		**1,700,000**	**156,771**	**136,535**	**1,993,306**
Impact of restatement (note 21)		-	-	**(2,840)**	**(2,840)**
As at 31 December 2022 – (restated)		**1,700,000**	**156,771**	**133,695**	**1,990,466**
Net profit for the period		-	-	**50,361**	**50,361**
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	**50,361**	**50,361**
Dividends	19	-	-	**(42,500)**	**(42,500)**
Balance as at 30 September 2023 (Unaudited)		**1,700,000**	**156,771**	**141,556**	**1,998,327**
As 1 January 2022– as previously reported		1,700,000	145,396	120,427	1,965,823
Impact of restatement (note 21)		-	-	(2,840)	(2,840)
As at 1 January 2021 – restated		1,700,000	145,396	117,587	1,962,983
Net profit for the period		-	-	64,420	64,420
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	64,420	64,420
Dividends	19	-	-	(42,500)	(42,500)
Balance as at 30 September 2022 (Unaudited) / Restated		1,700,000	145,396	139,507	1,984,903

CFO	Board of Directors member and CEO	Commissioned Board Member and Chairman of the Audit Committee
Rami Jawad Abu Jneid	Mr. Abdulsalam Abdullah Aldraibi	Mr. Waleed Ahmed Bamarouf

Najran Cement Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2023

	Note	*For the nine-month period ended 30 September*	
		2023 (Unaudited) SR '000	*2022 (Unaudited) SR '000*
OPERATING ACTIVITIES			
Profit before zakat		**56,475**	69,510
Adjustments to reconcile income before zakat to net cash flows:			
Depreciation and amortization	7,8	**58,722**	55,341
(Gain)/ loss on disposal of property, plant and equipment		**(216)**	7
Reversal for doubtful debt		**(400)**	(50)
Finance cost		**16,454**	6,868
Provision for employees' benefits		**5,222**	4,914
		136,257	136,590
Working capital adjustments			
Trade receivables		**7,950**	3,047
Store, spare parts and loose tools		**(4,047)**	(2,661)
Stock in trade		**(72,898)**	(58,856)
Prepayments and other receivables		**18,564**	7,095
Contract liability - advances from customers		**(299)**	387
Trade payables		**(2,929)**	3,672
Accrued and other payables		**(4,526)**	(14,273)
Net cash generated from operations		**78,072**	75,001
Zakat paid		**(6,026)**	(4,850)
Finance costs paid		**(11,108)**	(3,322)
End of service benefits paid		**(1,127)**	(2,185)
Net cash from operating activities		**59,811**	64,644
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	**(104,470)**	(37,588)
Proceeds from disposal of property, plant & equipment		**995**	-
Purchase of intangible assets	8	**(491)**	(19)
Net cash used in investing activities		**(103,966)**	(37,607)
FINANCING ACTIVITIES			
Proceeds from long-term loans		**83,023**	278,500
Payment of long-term loan		**(21,423)**	(278,500)
Payment of lease liability		**(332)**	(546)
Dividends paid		**(42,369)**	(42,391)
Net cash from/ (used in) financing activities		**18,899**	(42,937)
NET DECREASE IN CASH AND BANK BALANCES		**(25,256)**	(15,900)
Cash and cash equivalents at the beginning of the period		**39,314**	82,090
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**14,058**	66,190

CFO	**Board of Directors member and CEO**	**Commissioned Board Member and Chairman of the Audit Committee**
Rami Jawad Abu Jneid	Mr. Abdulsalam Abdullah Aldraibi	Mr. Waleed Ahmed Bamarouf

The attached notes from 1 to 23 form an integral part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

Najran Cement Company ("the Company" or "the Parent Company"), a Saudi Joint Stock Company, registered at Najran on 5 Ramadan 1426 (corresponding to 9 October 2005) under Commercial Registration number 5950010479. On 10 Shaaban 1437 (corresponding to 17 May 2016), the Company was granted an Industrial License, number 2446. The Company's shares are listed in the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia.

The principal activities of the Company are manufacturing of ordinary portland cement and cement resistant to salts.

These interim condensed consolidated financial statements comprise the Company and its wholly owned subsidiary, Wasl Al Janub Land Transportation Company (together referred to as the "Group").

The subsidiary Company is registered as a limited liability Company at Najran was established on 23 Dhul- Hijjah 1441 (corresponding to 8 August 2020) under Commercial Registration number 5950119264. On 02 Shaaban 1442 (corresponding to 15 March 2021), the subsidiary company was granted transportation License, number 11/00007925.

The principal activity of the subsidiary company is land transport of goods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The interim condensed consolidated financial statements for the nine-month period ended 30 September 2023 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern. The management consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022. In addition, results of the interim period ended 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

2.2 Basis of measurement

These interim condensed consolidated financial statements are prepared under the historical cost convention using the accrual basis of accounting and going concern concept, except for the following items which are measured as follows:

Items	Measurement basis
Employee defined benefit liabilities	Present value of the defined benefit obligation using projected credit unit method

2.3 Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals (SR), which is also the Group's functional and presentation currency.

2.4 Significant accounting judgements, estimates and assumptions

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

2.4 Significant accounting judgements, estimates and assumptions (continued)

The significant judgments made by management in applying the Group's accounting policies and the methods of computation and the key sources of estimation are the same as those that applied to the financial statements for the year ended 31 December 2022, except for as stated below:

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

3 BASIS OF CONSOLIDATION

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiary set forth in Note 1. Control is achieved when the Group is exposed, or has rights to returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group is considered having control over the investee in the following cases or elements:

1) Control over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
2) Exposure to rights in variable returns from its involvement with the investee.
3) The ability to use its power over the investee to affect its returns.

The Group reassesses whether it has control over the investee if facts and circumstances indicate that there have been changes in one of the above-mentioned elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of an acquired or disposed of subsidiary during the period are included in the consolidated financial statements from the date the Group gains control until the date the control ceases.

3 BASIS OF CONSOLIDATION (continued)

Profits, losses and all components of other comprehensive income are attributable to the equity holders of the Parent Company of the Group and to the holders of non-controlling interests, even if this results in a deficit balance in favor of the non-controlling interest holders. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All intra-group balances and financial transactions resulting from transactions between the Group and its subsidiaries and those arising between the subsidiaries are eliminated in preparing these consolidated financial statements. Also, any unrealized gains or losses resulting from internal transactions in the Group are eliminated upon consolidation of the financial statements.

Any change in shareholding interests in the subsidiary, without loss of control, is accounted for as an equity transaction, and when the Group loses control on the subsidiary it and does the following:

- Derecognition of the assets (including goodwill) and liabilities of the subsidiary
- Derecognition of the carrying amount of any non-controlling interest.
- Derecognition of the cumulative transfer differences recorded under equity.
- Recognition of fair value of consideration received.
- Recognition of the fair value of any investment retained
- Recognition of surplus or deficit are recognized in profit or loss.

The Parent Company's share of the aforementioned components within other comprehensive income is reclassified under profit, loss or retained earnings, as would be required if the Group had directly disposed of the related assets or liabilities.

Eliminated transactions
Intra-group balances and transactions, as well as any unrealized gains or losses resulting from internal transactions between the Group’s companies, are completely eliminated when preparing these consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but to the extent that there is no evidence of impairment.

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2023 given below, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance).

Regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. These amendments do not have any impact on the Group.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's interim condensed consolidated financial statements are listed below. The Group intends to adopt these standards when they become effective.

Standard/ Interpretation	***Description***	***Effective date***
Amendment to IFRS 16	Leases on sale and leaseback	1 January 2024
Amendment to IAS 1	Non-current liabilities with covenants	1 January 2024

6 SEGMENTAL REPORTING

The Group is engaged in one operating segment, i.e., manufacturing cement and operates in entirely from the Kingdom of Saudi Arabia and certain foreign jurisdictions. Accordingly, the financial information was not divided onto different geographic or business segments. Further, significant amount of liabilities of the Group are payable in Saudi Arabia.

7 PROPERTY, PLANT AND EQUIPMENT

For purpose of preparing the interim condensed consolidated statement of cash flows, movement in property, plant and equipment during the nine-month period ended 30 September is as follows:

	30 September 2023 (Unaudited) SR '000	*30 September 2022 (Unaudited) SR '000*
Depreciation	**58,502**	55,341
Additions to property, plant and equipment	**(104,470)**	(37,588)

8 INTANGIBLE ASSETS

	Total SR '000
Cost:	
At 1 January 2022	8,815
Additions	19
Balance at 31 December 2022 (Audited)	8,834
Amortization:	
At 1 January - as previously reported	4,721
Impact of restatement (note 21)	2,840
At 1 January 2021- (restated)	7,561
Amortization during the year	-
Balance at 31 December 2022 (Audited)/ (restated)	7,561
Net Book Value:	
At 31 December 2022 (Audited)/ (restated)	1,273

8 INTANGIBLE ASSETS (continued)

	Total ***SR '000***
Cost:	
At 1 January 2023	**8,834**
Additions	**491**
Balance at 30 September 2023 Unaudited	**9,325**
Amortization:	
At 1 January 2023	**7,561**
Amortization during the period Unaudited	**220**
Balance at 30 September 2023	**7,781**
Net Book Value:	
At 30 September 2023 Unaudited	**1,544**

9 STORES, SPARE PARTS AND LOOSE TOOLS

	30 September 2023 (Unaudited) SR '000	*31 December 2022 (Audited) SR '000*
Consumables spare parts - not for sale	**169,918**	165,871
Less: provision for slow moving items	**(7,323)**	(7,323)
Total	**162,595**	158,548

10 STOCK IN TRADE

	30 September 2023 (Unaudited) SR '000	*31 December 2022 (Audited) SR '000*
Raw materials, fuel and packing materials	**32,200**	33,020
Finished goods	**7,194**	7,696
Work in process	**240,512**	166,292
Total	**279,906**	207,008

11 TRADE RECEIVABLES

11.1 Trade Receivables

	30 September 2023 (Unaudited) SR '000	*31 December 2022 (Audited) SR '000*
Trade receivables	**22,702**	30,652
Less: provision for expected credit loss	**(1,579)**	(1,979)
	21,123	28,673

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

11.2 Movement in the provision for expected credit loss is as follows:

	30 September 2023 (Unaudited) SR '000	*31 December 2022 (Audited) SR '000*
Balance at the beginning of the period / year	**1,979**	1,803
Charge during the period / year	**-**	176
Reversal during the period / year	**(400)**	-
Balance at the end of the period / year	**1,579**	1,979

Outstanding customer receivables are regularly monitored and any sales to major customers are generally covered by bank guarantees and promissory notes. The largest customer comprises of 52% (31 December 2022: 68%) of the total outstanding trade receivable balance.

12 SHARE CAPITAL

The authorized share capital of the Group comprised 170 million ordinary shares stated at SR 10 per share. All shares are issued and fully paid. (31 December 2022: 170 million ordinary shares stated at SR 10 per share).

13 LOANS TERM FINANCING

13.1 Long & short terms borrowings

Long & short terms borrowing from commercial banks is presented as follows:

	30 September 2023 (Unaudited)	*31 December 2022 (Audited)*
	SR '000	*SR '000*
Principal amount, beginning balance	**278,500**	278,500
Addition during the period / year (Note 13.2)	**83,023**	278,500
Less: repayments /redemptions during the period / year	**(21,423)**	(278,500)
Net principal amount	**340,100**	278,500
Accrued mark up for the period / year	**6,781**	1,597
	346,881	280,097
Less: Current portion	**(49,627)**	(44,443)
Less: Short term loans	**(20,000)**	-
Balance at the end of the period / year	**277,254**	235,654

13.2 Tawarruq

During the year 2022, the Group signed new banking facilities agreement (Tawarruq) for SR 278.5 million with Bank Al Rajhi to replace the outstanding long- term facility which was obtained in 2020 from a local bank. The new Tawarruq facility is repayable in seven years over thirteen equal semi-annual instalments starting from May 2023, and carries financing costs on the basis of the prevailing Saudi interbank rate (SAIBOR) plus a specified profit margin. The amount is secured by a promissory note.

During the current period, the Group utilized SR 20 million out of SR 150 million for the general purposes of the company.

During the year 2023, the Group subsidiary signed new banking facilities agreement (Tawarruq) for SR 85 million with Bank Al Rajhi. The new Tawarruq facility is repayable in six years over twelve equal semi-annual instalments starting from April 2024 and carries financing costs on the basis of the prevailing Saudi interbank rate (SAIBOR) plus a specified profit margin. The amount is secured by some of the subsidiary’s vehicles and promissory note. During the period the Group subsidiary used SR 63 million long term loans to finance its capital expenditures.

The carrying values of the borrowings are denominated in Saudi riyals.

13.3 Loan covenants

The loans contain certain covenants. A future breach of covenants may lead to renegotiation. The covenants are monitored on a monthly basis by the management. In case of potential breach, actions are taken by the management to ensure compliance. During the period ended 30 September 2023, there has been no non-compliance of loan covenants. The above loan is Sharia compliant.

14 ZAKAT

The movement in zakat payable on the Group was as follows:

	30 September 2023 (Unaudited) SR '000	*31 December 2022 (Audited) SR '000*
Balance at beginning of the period / year	**7,904**	6,134
Provided during the period / year	**6,114**	6,620
Paid during the period / year	**(6,026)**	(4,850)
Balance at the end of the period / year	**7,992**	7,904

Zakat for the period ended 30 September 2023 is calculated based on the management's estimate.

The Group submitted its zakat returns to the Zakat, Tax and Customs Authority (ZATCA) for the years up to 31 December 2022, and the Group paid the liabilities for these years based on the zakat returns. The final assessment was obtained for the years from 2006 to 2011 as well as for the years from 2014 to 2020.

15 Sales

15.1 Disaggregated Sales information

	For the three-month period ended 30 September		***For the nine-month period ended 30 September***	
	2023 (Unaudited) SR '000	*2022 (Unaudited) SR '000*	***2023 (Unaudited) SR '000***	*2022 (Unaudited) SR '000*
Product type				
Cement	**113,843**	127,689	**358,823**	375,605
Total sales	**113,843**	127,689	**358,823**	375,605
Customer type				
Corporate customers	**113,843**	127,689	**358,823**	375,605
Total sales	**113,843**	127,689	**358,823**	375,605
Geographical markets				
Local	**100,696**	114,563	**316,025**	344,658
Export	**13,147**	13,126	**42,798**	30,947
Total sales	**113,843**	127,689	**358,823**	375,605

15.2 Performance obligations - point in time

The performance obligation is satisfied at a point in time and payment is generally due in advance or within 90 days from delivery.

16 EARNINGS PER SHARE

The Group presents basic and diluted earnings per share for its ordinary shares. Basic is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	For the three-month period ended 30 September		*For the nine-month period ended 30 September*	
	2023 (Unaudited)	*2022 (Unaudited*	***2023 (Unaudited)***	*2022 (Unaudited)*
Profit for the period attributable to the shareholders of the Company (in SR '000)	**14,018**	27,877	**50,361**	62,420
Weighted average number of ordinary shares for the purposes of basic and diluted earnings Basic ('000 shares)	**170,000**	170,000	**170,000**	170,000
Basic and diluted profit per share based on profit for the period attributable to shareholders of the Company (in SR)	**0.08**	0.16	**0.30**	0.38

17 CONTINGENCIES AND COMMITMENTS

The Group was contingently liable for letters of credit and bills for collections issued in the normal course of the business amounting to SR 2,793 thousand at 30 September 2023 (31 December 2022: SR 472 thousand).

18 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, Board of Directors, the Group key management personnel and enterprises managed or significantly influenced by those parties. The following are the details of major-related parties' transactions during the nine-month periods ended 30 September 2023 compared to the nine-month periods ended 30 September 2022:

Due to related parties		***30 September (Unaudited)***	
Related party	***Nature of transaction***	***2023 SR'000***	***2022 SR'000***
Yaal Alarabeya Company	Sales to related party	**54**	2,594

Allowances and compensation of the Board of Directors and senior executives

The Group's senior management includes key management personnel and executives, Board of Directors, having authorities and responsibilities for planning, directing and controlling the activities of the Group.

Board of Directors and committees' compensation charged during the nine-month period ended 30 September 2023 amounting to 3,219 thousand (30 September 2022: SR 3,227 thousand).

18 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Key management personnel compensation comprised the following:

	30 September 2023 (Unaudited) SR'000	*30 September 2022 (Unaudited) SR'000*
Short term employee benefits	**5,919**	5,971
Post-employment benefits	**145**	428
	6,064	6,399

19 DIVIDENDS

On 11 March 2023G, (corresponding to 19 Shaaban 1444H), the Board of Directors recommended the distribution of dividends in the amount of 42.5 million Saudi riyals (SR 0.25 per share) after obtaining the approval of the shareholders in the General Assembly. On April 11, 2023G (corresponding to 20 Ramadan 1444H), the shareholders in the General Assembly meeting approved the recommendation of the Board of Directors. The dividends was paid on 4 May 2023G (corresponding to 14 Shawwal 1444H).

The shareholders, in annual general assembly meeting held on 13 April 2022G (corresponding to 12 Ramadan 1443H), approved dividends of SR 42.5 million (SR 0.25 per share) that was paid on 24 April 2022G (corresponding to 23 Ramadan 1443H).

20 FAIR VALUE MEASUREMENT

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non- financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement, as follows:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- 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.

20 FAIR VALUE MEASUREMENT (continued)

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers among the levels during the period.

The management assessed that the fair value of financial assets and financial liabilities approximate their carrying amounts primarily due to the short-term maturities of these instrument.

21 PRIOR PERIODS ADJUTMENTS

During the period ended 30 September 2023, the Group became aware of an error in estimating the useful life of intangible assets, in which the error relates to not recording intangible assets amortization expense in the prior periods. Previously, these assets were considered to have an indefinite useful life and were changed to 10 years. The errors have been corrected by restating each of the affected financial statement line items for the prior period as shown below, in line with the requirements of IAS (8) "Change in Accounting Policies, Change in Accounting Estimates and Accounting Errors".

Interim Condensed Consolidated Statement of Financial Position as at ***31 December 2022***	*Previously reported balance*	*Restatement*	*Restated balance*
	SR '000	*SR '000*	*SR '000*
ASSETS			
Intangible assets	4,113	(2,840)	1,273
EQUITY			
Retained earnings	136,535	(2,840)	133,695

Interim Condensed Consolidated Statement of Financial Position as at ***1 January 2022***	*Previously reported balance*	*Restatement*	*Restated balance*
	SR '000	*SR '000*	*SR '000*
ASSETS			
Intangible assets	4,094	(2,840)	1,254
EQUITY			
Retained earnings	120,427	(2,840)	117,587

21 PRIOR PERIODS ADJUTMENTS (continued)

Interim Condensed Consolidated Statement of Changes in Equity for the period ended 30 September 2023

	Previously reported balance	*Restatement*	*Restated balance*
	SR '000	*SR '000*	*SR '000*
Retained earnings as at 1 January 2022	120,427	(2,840)	117,587
Retained earnings as at 30 September 2022	142,347	(2,840)	139,507
Retained earnings as at 31 December 2022	136,535	(2,840)	133,695

22 COMPARATIVE FIGURES

The customers incentive within the trade receivables (Note 11) have been reclassified in the note of the financial statements and presented as net trade receivables from gross trade receivables amounting SR 524 thousand as of 31 December 2022.

23 APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were authorized for issue by the Group's board of directors on 25 Rabi Al-Thani 1445H (corresponding to 9 November 2023G).