

HAIL CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE MONTHS PERIOD ENDED
MARCH 31, 2023

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE MONTHS PERIOD
ENDED AT 31 MARCH 2023

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TRANSLATED FROM ARABIC**INDEPENDENT AUDITOR'S REPORT ON REVIEW
OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

TO THE SHAREHOLDERS:
HAIL CEMENT COMPANY
SAUDI JOINT STOCK COMPANY
Hail – SAUDI ARABIA
Introduction:

We have reviewed the interim condensed statement of financial position of Hail Cement Company – Saudi Joint Stock Company- ("the Company") as at March, 31, 2023, the condensed interim statements of profit or loss and other comprehensive income for the three months period ended at March, 31, 2023, the interim condensed changes in shareholders' equity and the interim condensed cash flows for three months then ended, and summary of significant accounting policies and other explanatory notes which form an integral part of these interim condensed financial statements.

Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with IAS 34 "Interim Financial Reporting. Our responsibility is to express a conclusion on these interim condensed 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 Statements Information performed by the Independent Auditor of the Entity" approved 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 approved 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 financial statements are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" approved in the Kingdom of Saudi Arabia.

FOR EL SAYED EL AYOUTY & CO.

Abdullah Ahmad Balamash
Certified Public Accountant
License No. (345)

Jeddah: 13 May 2023
23 Shawwal 1444 H



HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

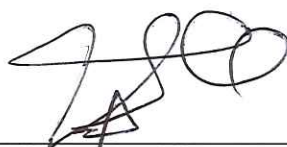
(All amounts in Saudi Riyals)

	Notes	31 March 2023 Unaudited	31 December 2022 Audited
Assets			
Non-current assets			
Property, plant and equipment, net	6	631,781,626	641,917,276
Intangible assets - net		1,613,629	1,824,020
Right to use assets - net		7,933,573	8,040,988
Total non-current assets		641,328,828	651,782,284
Current assets			
Inventories – Net		296,542,024	273,283,337
Trade receivables - net		14,282,683	13,146,301
Prepaid expenses and other receivable balances		22,973,293	20,754,546
Investments at FV through profit or loss	7	56,642,144	54,078,728
Cash and cash equivalents		131,624,613	130,972,569
Total current assets		522,064,757	492,235,481
Total assets		1,163,393,585	1,144,017,765
Shareholders' equity and Liabilities			
Shareholders' equity			
Share capital		979,000,000	979,000,000
Statutory reserve		58,348,557	58,348,557
Retained earnings		54,639,924	36,128,606
Treasury equities	8	(19,261,619)	(19,261,619)
Actuarial gains/(losses) from other comprehensive income		6,787,420	6,787,420
Total shareholders' equity		1,079,514,282	1,061,002,964
Non-current liabilities			
Lease obligations		8,598,347	8,781,388
Employee defined benefits obligations		15,534,332	14,749,826
Other provisions		4,182,805	4,152,568
Total non-current liabilities		28,315,484	27,683,782
Current liabilities			
Trade payable		23,549,435	19,630,274
Accrued expenses and dividends payable		17,548,385	22,400,588
Zakat provision	9	14,465,999	13,300,157
Total current liabilities		55,563,819	55,331,019
Total liabilities		83,879,303	83,014,801
Total liabilities and shareholders' equity		1,163,393,585	1,144,017,765

The financial statements appearing on pages (1) to (8) have been approved by the Board of Directors and signed on their behalf by:



Finance Manager



Chief Executive Officer



BOD Chairman

The accompanying notes from 1 to 16 form an integral part of these condensed interim financial statements.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

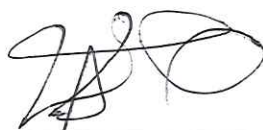
INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED AT 31 MARCH 2023 (All amounts in Saudi Riyals)

		<u>for the three months ended at 31 March</u>	
	Notes	<u>2023</u> <u>Unaudited</u>	<u>2022</u> <u>Unaudited</u>
Revenue		61,850,448	68,615,282
Cost of revenue		<u>(39,256,947)</u>	<u>(70,257,104)</u>
Gross profit / (loss)		22,593,501	(1,641,822)
Selling and distribution expenses		(1,051,970)	(880,669)
General and administrative expenses		<u>(5,483,812)</u>	<u>(4,836,407)</u>
Profit / (loss) for the period from main operations		16,057,719	(7,358,898)
Finance costs		(398,458)	(399,819)
Income from Murabaha deposits		1,249,260	4,533
Other income		205,223	137,433
Profit from changes in fair value of investments at fair value through the profits and losses	7	<u>2,563,416</u>	<u>4,151,023</u>
Net profit / (loss) for the period before zakat		19,677,160	(3,465,728)
Zakat		<u>(1,165,842)</u>	<u>(3,426,741)</u>
Net profit / (loss) for the period		18,511,318	(6,892,469)
 Total comprehensive income / (loss) for the period		 <u>18,511,318</u>	 <u>(6,892,469)</u>
Basic earnings per share for the period:			
Basic earnings / (loss) per share	10	<u>0.189</u>	<u>(.07)</u>
Diluted earnings / (loss) per share	10	<u>0.192</u>	<u>(.07)</u>
Weighted average number of shares	10	<u>96,406,522</u>	<u>97,900,000</u>


The financial statements appearing on pages (1) to (8) have been approved by the Board of Directors and signed on their behalf by:



Finance Manager



Chief Executive Officer



BOD Chairman

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HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED AT 31 MARCH 2023

(All amounts in Saudi Riyals)

	<u>Share capital</u> SR	<u>Statutory Reserve</u> SR	<u>Retained Earnings</u> SR	<u>Treasury equities</u> SR	<u>Actuarial gains/(losses) from other comprehensive income</u> SR	<u>Total equity</u> SR
Balance as at 1 January 2022 (Audited)	979,000,000	56,707,109	69,883,755		(1,040,037)	1,104,550,827
Total comprehensive income:						
Net loss for the period	-	-	(6,892,469)		-	(6,892,469)
Balance as at 31 March 2022 (Unaudited)	979,000,000	56,707,109	62,991,286		(1,040,037)	1,097,658,358
Balance as at 1 January 2023 (Audited)	979,000,000	58,348,557	36,128,606	(19,261,619)	6,787,420	1,061,002,964
Total comprehensive income:						
Net profit for the period	-	-	18,511,318		-	18,511,318
Balance as at 31 March 2023 (Unaudited)	979,000,000	58,348,557	54,639,924	(19,261,619)	6,787,420	1,079,514,282

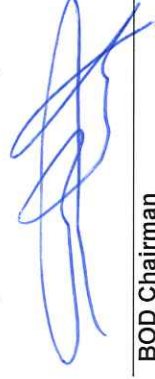
The financial statements appearing on pages (1) to (8) have been approved by the Board of Directors and signed on their behalf by:



Finance Manager



Chief Executive Officer



BOD Chairman

The accompanying notes from 1 to 16 form an integral part of these condensed interim financial statements.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED AT 31 MARCH 2023

(All amounts in Saudi Riyals)

	<u>Notes</u>	<u>for the three months</u> <u>ended at 31 March</u>	
		<u>2023</u>	<u>2022</u>
		<u>Unaudited</u>	<u>Unaudited</u>
Operating activities			
Profit for the period before Zakat		19,677,160	(3,465,728)
Adjustment			
Depreciation of property, plant and equipment		14,168,917	15,489,693
Amortization of intangible assets		210,391	120,241
Right to use depreciation		107,415	107,415
Employee benefit obligations expense		958,285	1,862,026
Interests expense		101,587	101,587
Provisions made during the period		482,280	531,084
(Profit) from changes in fair value of investments at fair value through the profits and losses		(2,563,416)	(4,151,023)
Changes in operating assets and liabilities			
Inventories		(23,743,930)	10,234,565
Trade receivables and other receivable balances		(3,352,166)	(20,406,116)
Trade payable and accruals		(541,433)	39,003,685
Employee benefit obligations – paid during the period		(173,779)	(903,741)
Net cash provided by operating activities		5,331,311	38,523,688
Investing activities			
Purchase of property and equipment		(4,033,267)	(882,907)
Net cash (used in) investing activities		(4,033,267)	(882,907)
Finance activities			
Lease payments		(646,000)	-
Net cash (used in) financial activities		(646,000)	-
Net increase in cash and cash equivalents		652,044	37,640,781
Cash and cash equivalents, beginning of the year		130,972,569	47,914,295
Cash and cash equivalents, end of the year		131,624,613	85,555,076

The financial statements appearing on pages (1) to (8) have been approved by the Board of Directors and signed on their behalf by:



Finance Manager



Chief Executive Officer



BOD Chairman

The accompanying notes from 1 to 16 form an integral part of these condensed interim financial statements.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Notes to the interim condensed financial statements for three months period ended March 31, 2023

1. The Company and activity

The Company

HAIL CEMENT COMPANY (the "Company"), is a Saudi Joint Stock Company, registered in Hail, Saudi Arabia under Commercial Registration No. 3350026399 dated November 30, 2010 (corresponding to 24 Dhul Hijjah 1431 H). Furthermore, the Company has also obtained a ministerial resolution No. 384/G on November 30, 2010 (corresponding to 24 Dhul Hijjah 1431 H) from the Ministry of Commerce and Industry.

The company obtained an industrial investment license from the former Saudi Arabian General Investment Authority (SAGIA) (currently the Ministry of Investment) with No. 141931098717 on Ramadan 16, 1431 AH (corresponding to August 26, 2010).

The company's shares are listed on the Saudi stock market (Tadawul) under the supervision of the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia.

The Company's activities

The Company's activities include the production and distribution of cement and its derivatives of all kinds of building materials and related accessories inside and outside the Kingdom of Saudi Arabia. The company also trades in cement and its derivatives of all kinds of building materials and related accessories inside and outside the Kingdom of Saudi Arabia. The company operates through its factory located in the Hail region.

Company Address

The company's main address is: Hail. P.O. Box: 1008, Postal Code: 81431.

The Financial period

The financial period presented of the company begins on January 1, 2023 and ends on March 31, 2023 and the company's financial year starts from the beginning of January of each Gregorian year and ends at the end of December of the same year.

2. Basics of preparing interim condensed financial statements

Basis of preparation

These interim condensed financial statements have been prepared for the three months ended 31 March 2023 in accordance with IAS 34 Interim Financial Reporting adopted in Saudi Arabia and other standards and pronouncements endorsed by SOCPA. These interim condensed financial statements do not include all the information and explanations required in the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the Company's financial statements for the year ended 31 December 2023.

Basis of measurement

These interim condensed financial statements have been prepared according to the accrual basis of accounting using the concept of going concern and on the basis of historical cost, except for:

- Investments that are measured at fair value through profit or loss.
- Employee defined benefit obligations that are measured at the present value of future liabilities according to the projected credit unit method.

Functional and presentation currency

These financial statements' items are presented in Saudi Arabian Riyals "SR" which is the functional and presentation currency of the Company. All figures are rounded to the nearest Saudi Riyals unless otherwise stated.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Notes to the interim condensed financial statements for three months period ended March 31, 2023

2. Basics of preparing interim condensed financial statements..(Continued)

Significant accounting estimates, assumptions and judgments

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures about assets and contingent liabilities at the date of the financial statements, the amounts of revenues and expenses declared, disclosure of contingent liabilities on the financial statements and the amounts of revenues and expenses of the declared values during the reporting period. Although these estimates and judgments are based on the best information available to management on operations and current events, 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 in these financial statements were the same as those that applied to the financial statements as at and for the year ended 31 December 2022.

3. Significant accounting policies

The accounting policies applied to these interim condensed financial statements are the same as those applied to the financial statements for the year ended 31 December 2022.

4. Changes in significant accounting policies

Some new standards and interpretations issued which are not mandatory for the current reporting period. These standards and interpretations were not early adopted by the Company. The company is in the process of evaluating the impact of these new and amended standards, which have not yet been applied in the current or future reporting periods and on expected future transactions, which were explained in the annual financial statements for the fiscal year 2022.

5. Segment information

The Company's core business is in one product within the Kingdom of Saudi Arabia, therefore it does not report on operating segments in multiple products or in different geographical areas.

6. Property, plant and equipment – net

For the purpose of preparing the interim condensed cash flow statement, the movement in property, plant and equipment during the three-month period ended March 31 is as follows:

	<u>for the three months</u> <u>ended at 31 March</u>	
	<u>2023</u>	<u>2022</u>
	<u>Unaudited</u>	<u>Unaudited</u>
Depreciation of property, plant and equipment	14,168,917	15,489,693
Purchase of property, plant and equipment	4,033,268	882,907

- The land on which the factory was built is leased from the Ministry of Petroleum and Mineral Resources (Ministry of Energy) for a period of 30 years starting from 2012. The mining license issued by the Ministry of Petroleum and Mineral Resources gives the company the exclusive right to produce and exploit specific minerals in the licensed area, which has an area of 46.4 square kilometers.

7. Investments at Fair value through profit or loss

The Company has invested SR 50 million, for the purpose of purchasing various shares, within the Discretionary Portfolio Management with Al Rajhi Capital. The fair value of the portfolio on March 31, 2023 amounted to SR 56,642,144, as follows:

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Notes to the interim condensed financial statements for three months period ended March 31, 2023

7. Investments at Fair value through profit or loss...(Continued)

	<u>As at March 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Unaudited</u>	<u>Unaudited</u>
Balance at January 01, (Audited)	54,078,728	57,762,605
Gain from change in the fair value for investments at FVTPL	2,563,416	(3,683,877)
Balance at March 31, (Unaudited)	<u>56,642,144</u>	<u>61,913,628</u>

8. Treasury equities

The Company's Extraordinary General Assembly, held on Tuesday 29 Dhul Qi'dah 1443H corresponding to June 28, 2022, resolved to approve the company's purchase of a number of its shares, with a maximum of (4,895,000) shares, and to keep them as treasury equities for a maximum period of (10) years from the date of the Extraordinary General Assembly approval, and after the expiration of this period, the company will follow the procedures and controls stipulated in the relevant rules and regulations.

During the year 2022, the company purchased 1,493,478 shares of the company's shares at a cost amounted to SR. 19,261,619.

9. Zakat status

- The company obtained a certificate for the year 2022 with No. 1110009160 dated 09/23/1444H, valid until 10/21/1445H (corresponding to April 30, 2024).

The years 2019 and 2020

- A decision was issued by the Department of Zakat, Tax and Customs that the Company's objection for the years 2019 - 2020 was partially accept , and all dues received accordingly were paid.
- The Company received Zakat assessments for the years from 2015 until 2018, which resulted in differences amounting to (SR 7,057,344). The Company objected to those differences, and escalated to the General Secretariat of the Zakat and Tax Committees.

The status of appeal and objection submitted by the company

The years 2015 and 2018

- On 14/06/2022, the General Secretariat of the Tax and Zakat Committees of the Dispute Settlement Committee issued a decision regarding the years 2015 and 2018, rejecting the objection submitted by the Company, and the Company submitted an appeal against the committee's decision, and according to the opinion of the Company's Zakat advisor, the Company is expected that the Company will succeed in settling those differences without obligations or paying any differences arising from those Zakat differences.

The years 2016 and 2017

- On 26/07/2022, the General Secretariat of the Tax and Zakat Committees at the Dispute Settlement Committee issued a decision regarding the years 2016 and 2017 rejecting the objection submitted by the Company to some of the objected items. The Company submitted an appeal against the committee's decision, and according to the opinion of the Company's Zakat advisor, the Company is expected that the Company will succeed in settling those differences without obligations or paying any differences arising from those Zakat differences.

10. Earnings per share

The basic and diluted earnings per share for the financial year ending on December 31, 2023, were calculated as follows:

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Notes to the interim condensed financial statements for three months period ended March 31, 2023

10. Earnings per share...(Continued)

	<u>for the three months ended at 31 March</u>	
	<u>2023</u>	<u>2022</u>
	<u>Unaudited</u>	<u>Unaudited</u>
Net profit / (loss) for the period	18,511,318	(6,892,469)
Weighted average number of outstanding shares	96,406,522	97,900,000
Basic and diluted earnings per share for the period		
Basic earnings / (loss) per share	0.189	(0.07)
Diluted earnings / (loss) per share	0.192	(0.07)

The weighted average number of shares has been adjusted to reflect the effect of the treasury equities held by the company (note 8).

11. Contingent liabilities

As at 31 March 2023, the Company has letters of guarantee in favor of the Customs Department for custom duties amounting to SR 530 thousand (December 2023: SR 530 thousand).

12. Interim results

The results of operations in the interim condensed financial statements may not be an accurate indication of the results of the operations included in the company's annual financial statements.

13. Comparative figures

Certain comparative figures have been reclassified to conform to the classification of the current period.

14. Significant events

On January 16, 2023, corresponding to Jumada Al-Akhir 23, 1444H, and based on the resolution of the Minister of Commerce No. (284), the implementing regulations for the new Companies' Act were issued. On January 19, 2023, corresponding to Jumada Al-Akhir 26, 1444H, the new Companies' Act issued by Royal Decree No. (M / 132) entered into force. The company's management will make the necessary amendments to the company's articles of association as required by the new Companies' Act and its implementing regulations.

15. Subsequent events

The management believes that there are no other significant subsequent events since the date of the company's interim condensed financial statements for the period ending on March 31, 2023 until the date preparing these financial statements that may have a material impact on the company's financial position.

16. Approval of the interim condensed financial statements financial Statements

The board of directors has approved these interim condensed financial statements on 22 Shawwal 1444 H (corresponding to 12 May 2023).