

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE AND SIX MONTHS PERIODS ENDED
JUNE 30, 2023
WITH INDEPENDENT AUDITOR'S REVIEW REPORT

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2023

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

TO THE SHAREHOLDERS OF EASTERN PROVINCE CEMENT COMPANY (A SAUDI JOINT STOCK COMPANY)

INTRODUCTION

We have reviewed the accompanying consolidated interim statement of financial position of Eastern Province Cement Company (the "Company"), a Saudi Joint Stock Company, and its subsidiary (collectively referred to as the "Group") as at June 30, 2023 and the related consolidated interim statement of profit or loss and other comprehensive income for the three months and six-months periods then ended, and the related consolidated interim statements of changes in equity and cash flows for the six-months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

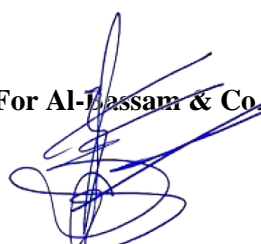
SCOPE OF REVIEW

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", that is endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated interim 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 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.



Ibrahim Ahmed Al Bassam
Certified Public Accountant
License No. 337
Khobar: Muharram 20, 1445H
Corresponding to: August 7, 2023

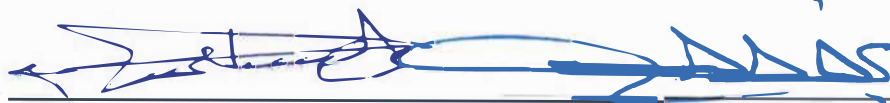
EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2023

	Note	June 30, 2023 (Un-audited) SR 000	December 31, 2022 (Audited) SR 000
ASSETS			
Non-current assets			
Property, plant and equipment		744,883	762,090
Intangible assets		867	1,013
Investment properties		89,000	89,816
Right-of-use assets		6,375	7,148
Investments at fair value through OCI	3	660,975	642,020
Investment in an associate	4	184,402	200,434
Prepayments and other assets - non current	6	12,894	11,284
		<u>1,699,396</u>	<u>1,713,805</u>
Current assets			
Inventories, net		618,516	578,601
Trade and retention receivables, net	5	304,413	298,427
Prepayments and other assets - current, net	6	31,743	39,690
Murabaha deposits	7	-	130,000
Cash and cash equivalents		169,033	90,827
		<u>1,123,705</u>	<u>1,137,545</u>
TOTAL ASSETS		<u>2,823,101</u>	<u>2,851,350</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	8	860,000	860,000
Statutory reserve		430,000	430,000
Voluntary reserve		404,639	404,639
Retained earnings		496,183	475,280
Reserve of valuation of equity investments carried at FVOCI	3	223,653	204,698
Actuarial reserves		(18,634)	(14,894)
		<u>2,395,841</u>	<u>2,359,723</u>
LIABILITIES			
Non- current liabilities			
Employees' end of service benefits		97,406	89,778
Other provisions		35,573	35,169
Lease liabilities – non-current		4,492	5,410
		<u>137,471</u>	<u>130,357</u>
Current liabilities			
Accounts payable and other liabilities	9	208,410	265,542
Due to related parties	10	1,258	5,207
Dividends payables		61,047	60,789
Lease liabilities – current		2,022	1,808
Zakat provision	11	17,052	27,924
		<u>289,789</u>	<u>361,270</u>
TOTAL LIABILITIES		<u>427,260</u>	<u>491,627</u>
TOTAL EQUITY AND LIABILITIES		<u>2,823,101</u>	<u>2,851,350</u>
CONTINGENCIES AND COMMITMENTS	16&17	-	-



Finance Manager



Chief Executive Officer

Authorized Board Member

The accompanying notes 1 through 22 form an integral part of these condensed consolidated interim financial statements.

**CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS AND OTHER
COMPERHENSIVE INCOME
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2023**

		For The Three Months Period Ended		For The Six Months Period Ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
		Restated – Note	Restated – Note	Restated – Note	Restated – Note
Note		(Un-audited)	20)	(Un-audited)	Note 20)
		SR 000	SR 000	SR 000	SR 000
Revenue, net	12	216,074	195,806	452,711	356,549
Cost of revenue	13	(135,935)	(125,841)	(294,082)	(243,250)
Gross profit		80,139	69,965	158,629	113,299
General and administrative expenses		(14,740)	(17,816)	(27,715)	(29,793)
Selling and marketing expenses		(2,279)	(2,361)	(4,662)	(4,820)
Operating profit		63,120	49,788	126,252	78,686
Dividends and murabaha income		9,551	2,135	11,994	3,530
Impairment of investment in associate	4	(9,486)	-	(9,486)	-
Share of (loss) / profit in an associate	4	(3,630)	(910)	(6,546)	1,518
Unrealized gain on investments at fair value through profit or loss		-	1,432	-	1,862
Other income		2,770	7,401	7,721	9,273
Other expense		(2,644)	(3,470)	(6,804)	(4,707)
Finance charges		(1,387)	(1,100)	(2,570)	(2,034)
(Loss) / gain on exchange of foreign currency		(214)	275	(167)	569
Gain / (loss) on disposal of property, plant and equipment		-	40	9	(335)
Profit before zakat		58,080	55,591	120,403	88,362
Zakat expenses	11	(6,750)	(6,436)	(13,500)	(12,886)
Profit for the period		51,330	49,155	106,903	75,476
Other Comprehensive income:					
<i>Item that will not be reclassified to statement of profit or loss</i>					
Employees' end of service and loans re-measurement		(1,397)	1,578	(3,740)	3,501
Unrealized gain from investments at fair value through OCI		12,448	(7,510)	18,955	14,500
Other comprehensive income for the period		11,051	(5,932)	15,215	18,001
Total comprehensive income for the period		62,381	43,223	122,118	93,477
Earnings per share – Basic and diluted	15				
Earnings per share of profit for the period		0.60	0.57	1.24	0.88


Finance Manager


Chief Executive Officer


Authorized Board Member

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EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED INTERIM STATEMENT OF CHANGE IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

	Share capital SR 000	Statutory reserve SR 000	Voluntary reserve SR 000	Retained earnings SR 000	Reserve of valuation of equity instruments carried at FVOCI SR 000	Actuarial reserves SR 000	Total equity SR 000
Balance as at January 1, 2022 as previously reported	860,000	430,000	404,639	488,951	242,943	(14,778)	2,411,755
Impact of correction of previous years errors (Note 20)	-	-	-	(9,494)	-	-	(9,494)
Balance at January 1, 2022 (restated)	860,000	430,000	404,639	479,457	242,943	(14,778)	2,402,261
Net profit for the period (restated – Note 20)	-	-	-	75,476	-	-	75,476
Other comprehensive income for the period	-	-	-	-	14,500	3,501	18,001
Realized gain transferred to retained earnings (Note 3-A)	-	-	-	33,123	(33,123)	-	-
Total comprehensive income for the period (restated – Note 20)	-	-	-	108,599	(18,623)	3,501	93,477
Dividends (note 18)	-	-	-	(94,600)	-	-	(94,600)
Balance as at June 30, 2022 (Un-audited)	860,000	430,000	404,639	493,456	224,320	(11,277)	2,401,138
Balance as at January 1, 2023 (Audited)	860,000	430,000	404,639	475,280	204,698	(14,894)	2,359,723
Net profit for the period	-	-	-	106,903	-	-	106,903
Other comprehensive income for the period	-	-	-	-	18,955	(3,740)	15,215
Total comprehensive income for the period	-	-	-	106,903	18,955	(3,740)	122,118
Dividends (note 18)	-	-	-	(86,000)	-	-	(86,000)
Balance as at June 30, 2023 (Un-audited)	860,000	430,000	404,639	496,183	223,653	(18,634)	2,395,841


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Chief Executive Officer


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EASTERN PROVINCE CEMENT COMPANY
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CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023

	June 30, 2023 (Un-audited)	June 30, 2022 (Un-audited) (Restated –Note 20)
Cash flows from operating activities:	SR 000	SR 000
Profit before zakat	120,403	88,362
Adjustments for:		
Depreciation of property, plant and equipment and intangible assets amortization	49,801	50,510
(Gain) / loss on disposal of property, plant and equipment	(9)	335
Dividend and murabaha income	(11,994)	(3,530)
Unrealized gain on investments at fair value through profit or loss	-	(1,862)
Depreciation of investment properties	816	816
Amortization of Right-of-use asset	951	957
Provided / (Reversal) of allowance for impairment of trade and retention receivables, net	4,590	-
Provision for slow moving spare parts inventory	1,800	1,300
Finance charges	2,570	2,034
Impairment of investment in associate	9,486	-
Share of loss / (profit) in an associate	6,546	(1,518)
Employees' end of service benefits	3,448	4,601
	188,408	142,005
Movement in working capital		
Trade and retention receivable, prepayments and other assets	(5,354)	(19,331)
Inventories	(51,456)	(88,817)
Trade and other liabilities	(57,132)	44,026
Due to related parties	(3,949)	1,795
Employees' end of service benefits paid	(1,109)	(2,529)
Zakat paid	(24,372)	(30,443)
Finance charges paid	(416)	(2,034)
Net cash generated from operating activities	44,620	44,672
Cash flows from investing activities:		
Additions to property, plant and equipment	(22,714)	(44,548)
Proceeds from selling of property, plant and equipment	16	40
Acquisition of investments at fair value through profit or loss	-	(229,690)
Liquidation of murabaha deposit	130,000	-
Proceeds from dividend income and interest on murabaha deposits	12,908	2,724
Proceeds from selling of investments at fair value through OCI	-	42,589
Net cash generated from / (used in) from investing activities	120,210	(228,885)
Cash flows from financing activities:		
Dividends paid	(85,742)	(94,109)
Repayment of lease liabilities	(882)	(669)
Net cash used in financing activities	(86,624)	(94,778)
Net change in cash and cash equivalents	78,206	(278,991)
Cash and cash equivalent at the beginning of the period	90,827	402,279
Cash and cash equivalents at the end of the period	169,033	123,288
Non-cash transactions		
Additions to right-of-use asset against lease liabilities	178	1,901
Capitalized spare parts	9,741	12,899
Additions to property, plant and equipment through capital work-in-progress	22,897	4,252
Employees' end of service and employee loans re-measurement	(3,740)	3,501
Unrealized gain from investments at fair value through OCI	18,955	19,500


Finance Manager


Chief Executive Officer


Authorized Board Member

The accompanying notes 1 through 22 form an integral part of these condensed consolidated interim financial statements.

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2023**

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Eastern Province Cement Company ("the Company") or ("the Holding Company") is a Saudi Joint Stock Company established in accordance with the royal decree No. M/11 dated Rabi` Alawwal 14, 1402 (Corresponding to January 9, 1982), and the resolution of His Royal Highness the Minister of Commerce No. 939 dated Rabi Al Thani 3, 1403 (Corresponding to January 17, 1983), and registered in Dammam under the Commercial Registration No. 2050013400 dated Jumada Alawwal 22, 1403 (Corresponding to March 7, 1983).

The Holding Company's registered office is located in Dammam, Kingdom of Saudi Arabia.

The Holding Company main activities are quarry operation, mining gypsum and anhydrite wholesaling of cement and plaster.

The Holding Company obtained by the Royal Decree No. M/6 dated 17 Rabi` Al Thani 1405 (Corresponding to January 9, 1985) the mining franchise for exploitation of limestone and clay in Al Khorasania area for a renewable period of thirty years. The Holding Company has completed the legal procedures to renew the franchise license. The Ministerial Decree No. 5334/G dated Rajab 12, 1438 had been issued to renew the Holding Company's rights in utilizing the limestone and clay for its factory located in Al-Tawy site near Al-khurasania in Al-Jubail province for thirty Hijri years starting from Rabi Alawwal 18, 1436.

The Holding Company also obtained by the Ministerial Decree No. 14/Q dated Safar 24, 1433 (Corresponding to January 18, 2012) the mining franchise for the exploitation of limestone and clay in Al Najabia valley at Al Ahsa Province in the Eastern region valid till December 31, 2035.

The condensed consolidated interim financial statements of the Group as at June 30, 2023 include the condensed interim financial statements of the Holding Company and its following branches:

Branch Commercial Registration No.	Date	Place of Issue	Commercial Name of the Branch
A- 2055022383	Jumada Al-Thani 16, 1435	Jubail	Eastern Province Cement Plant.
B- 4042100240	Dhu'l-Hijjah 2, 1439	Asfan	Eastern Province Cement Plant.

A- The main activities of the branch are in the operation of quarries, mining of gypsum and anhydrite, wholesale of cement and Gypsum. The Holding Company has a sub-commercial registration in Jubail City for the Eastern Cement Factory No. 2055022383 dated Jumada Al-Thani 16, 1435 (Corresponding to April 16, 2014), which deals in the production of ordinary cement (Portland cement), salt-resistant cement, and clinker cement under the National Industrial License No. 1300.

B- The main activities of the branch are construction of precast buildings, concrete and steel buildings, light and heavy prefabricated buildings, infrastructure works, and import of all building materials and precast concrete (Precast).

During the period, the Board of Directors decided to invite specialized companies to submit their offers for the establishment of a new production line with a capacity of 10,000 tons / day in order to replace some of the old production lines in the Holding Company's at current plant in Khursaniyah area in order to maximize the benefit from the infrastructure of the current plant.

Details of Holding Company's subsidiary:

The Board of Directors of the Eastern Province Cement Company decided in its meeting held on December 11, 2018, to start the procedures for converting Prainsa Saudi Arabia For Precast Concrete branch under the commercial registration No. 2051035184 into a limited liability company, and the legal formalities for change in legal structure of branch had been completed during Q2, 2023 with the same commercial registration number. Accordingly, these condensed interim financial statements have been prepared for the first time on consolidation basis.

The Holding Company's Subsidiary is a limited liability company incorporated in the Kingdom of Saudi Arabia.

Name of subsidiary	Commercial Registration dated	Business activity	Effective ownership June 30, 2023
Prainsa Saudi Arabia For Precast Concrete Company	Dhu al-Qadah 17, 1444H (June 6, 2023)	Production of precast concrete items under the industrial license No. 3031328, dated Rabi` Awwal 3, 1437.	100 %

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2023

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

The net assets of the branch had been transferred to the newly incorporated company at their book value on the date of incorporation.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed consolidated interim financial statements of the Group for the three and six months period ended June 30, 2023 have been prepared in accordance with the requirements of International Accounting Standard 34 - "Interim Financial Reporting" that are endorsed in the kingdom of Saudi Arabia and other standards and pronouncement that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and should be read in conjunction with the Holding Company's latest annual financial statements for the year ended December 31, 2022 ("latest annual financial statements"). These condensed consolidated interim financial statements do not include all of the information normally required for a complete set of IFRS financial statements. However, accounting policies and selected explanatory notes are included to reflect events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the latest annual financial statements.

2.2 Preparation of the condensed consolidated interim financial statements

The condensed consolidated interim financial information has been prepared under the historical cost convention, unless it is allowed by the IFRS to be measured by other valuation method.

The preparation of condensed consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts in condensed consolidated interim financial statements. The significant judgments made by management in applying the Holding Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the latest annual financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2023

2. BASIS OF PREPARATION (Continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's annual financial statements as of and for the year ended December 31, 2022, and the notes attached thereto except for the IFRS 3 Business combination.

2.3.1 New standards, amendments to standards, and interpretations

Amendments

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Group's condensed consolidated interim Financial Statements, except for where referenced below.

New amendments to standards issued and applied effective in the year 2023

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 17	Insurance Contracts	January 1, 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified 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 and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements
IAS 8	Amendment to the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding the accounting of deferred tax on transactions such as leases and decommissioning obligations
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2023	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses result from the loss of control of a subsidiary.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2023

2. BASIS OF PREPARATION (Continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3.2 New IFRS standards, amendments and revised IFRSs issued not yet effective

The Group has not applied the following new amendments that have been issued but are not yet effective.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information	January 1, 2024	IFRS S1 sets out overall requirements with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to the primary users of general-purpose financial reports in making decisions relating to providing resources to the entity
IFRS S2	Climate-related Disclosures	January 1, 2024	IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.
IFRS 7	Financial Instruments: Disclosures	January 1, 2024	Amendments regarding supplier finance arrangements
IAS 7	Statement of Cash Flows	January 1, 2024	Amendments regarding supplier finance arrangements
IFRS 16	Lease liability in sale and lease back.	January 1, 2024	The amendments require seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains.
IAS 1	Amendments regarding the classification of debt with covenants	January 1, 2024	The amendments clarified how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances.
IAS 1	Presentation of financial statements: classification of liabilities.	January 1, 2024	The amendment has clarified that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period and non-current liabilities with covenants.

Management anticipates that these interpretations and amendments will be adopted as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the condensed consolidated interim financial statements of the Group in the period of initial application.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2023

2. BASIS OF PREPARATION (Continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3.3 New adopted standard

2.3.3.1 IFRS 3 Business combination and basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of Eastern Province Cement Company and of its subsidiary (the “Group”) as detailed in note 1.

Control is achieved when the Group:

- has power over the investee,
- is exposed, or has rights, to variable returns from its involvement with the investee, and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders,
- potential voting rights held by the Company, other vote holders or other parties,
- rights arising from other contractual arrangements, and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiaries. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiaries.

Consolidated statement of profit or loss and each component of other comprehensive income are attributed to the shareholders of the Group. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company.

When necessary, adjustments are made to the financial statements of subsidiaries to bring its accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3.3.2 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in the consolidated statement of profit or loss and other comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified consolidated statement of profit or loss and other comprehensive income or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, to be the cost on initial recognition of an investment in an associate or a joint venture.

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2023

3. INVESTMENTS AT FAIR VALUE THROUGH OCI

A- Investment at fair value through OCI (FVOCI) consist of the following:

		June 30, 2023		December 31, 2022	
		(Un-audited)		(Audited)	
	Note	Number of shares (in thousands)	Amount SR 000	Number of shares (in thousands)	Amount SR 000
Saudi Industrial Investment Company	3-A-1	1,100	29,150	1,100	24,178
Industrialization and Energy Services Company	3-A-2	27,187	459,197	27,187	459,197
Saudi Arabian Oil Company (Aramco)	3-A-3	2,147	69,228	1,951	62,642
			557,575		546,017
Discretionary Portfolio Management (DPM) Investments	3-A-4		103,400		96,003
			660,975		642,020

3-A-1 The Saudi Industrial Investment Company (a Saudi joint stock company listed on the financial market) (Tadawul) whereby the Group owns 0.15% of the equity shares of the Company (December 31, 2022: 0.15% of the equity shares). The share price of the investee Company as of June 30, 2023 was SR 26.50 per share (December 31, 2022: SR 21.98 per share).

During the period ended of June 30, 2022, the Group sold 1,200,000 shares of its investment in the Saudi Industrial Investment Company for SR 42,589 million, which resulted in a realized profit during the period amounting to SR 33,123 million, which had been transferred from the reserve of valuation of equity instruments carried at FVOCI to retained earnings.

3-A-2 Industrialization and Energy Services Company is Saudi closed joint stock company whereby the Group owns 3.79% of equity shares of investee Company (December 31, 2022: 3.79% of the equity shares). The Group's management determined the value of investments in the Industrialization and Energy Services Company as of December 31, 2022 based on a report from an independent evaluator based on the financial statements of the investee Company as of September 30, 2022 (which represent the latest available financial information) by a value of SR 16.89 per share (December 31, 2022: SR 16.89 per share), resulting in a total value of the investment amounting to SR 459,197. For determining the fair value in year of 2022, the Group used the multiples methods, based on the latest available financial information, i.e. September 30, 2022. During the period, the Group received dividends from Taqa by an amount of SR 8.2 million.

3-A-3 On year 2019, the Group acquired 1.8 million shares in the shares of the Saudi Arabian Oil Company (Aramco) at a price of SR 32 per share, and the price per share on June 30, 2023 was SR 32.24 (December 31, 2022: SR 32.1 per share). During the period, the Group received dividends from Aramco by an amount of SR 1.3 million.

In addition, during the period, Aramco issued bonus shares for the shareholders at the rate of one share to each 10 owned shares by the shareholders.

3-A-4 During the year ended December 31, 2022, the Group's management entered in local discretionary portfolio management ("DPM") agreements managed by investment manager, the Group's management has irrevocably chosen the measurement and classification of its DPM investments as investments at fair value through other comprehensive income. DPM investments include cash amounting to SR 3.7 million as of June 30, 2023 (December 31, 2022: SR 0.5 million).

B- Investments at fair value through other comprehensive income are categorized as follows:

	June 30, 2023	December 31, 2022
	(Un-audited)	(Audited)
Quoted:		SR 000
Saudi Industrial Investment Company	29,150	24,178
Saudi Arabian Oil Company (Aramco)	69,228	62,642
From Discretionary Portfolio Management Investments	81,429	75,145
	179,807	161,965
Unquoted:		
Industrialization and Energy Services Company	459,197	459,197
From Discretionary Portfolio Management Investments	21,971	20,858
	481,168	480,055
	660,975	642,020

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3. INVESTMENTS AT FAIR VALUE THROUGH OCI (Continued)

C- The movement on the investments during the period / year is as follows:

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
Opening balance	SR 000	SR 000
Change in fair value	642,020	589,731
Additions	18,955	(5,122)
Disposals	-	100,000
Closing balance	-	(42,589)
	660,975	642,020

D- Hierarchy levels of investment is disclosed in note 19.

E- The movement on reserve of valuation of investments at fair value through other comprehensive income during the period / year was as follows:

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
Opening balance	SR 000	SR 000
Unrealized gain / (loss) from investments at fair value through OCI	204,698	242,943
Realized gain transferred to retained earnings	18,955	(5,122)
Closing balance	-	(33,123)
	223,653	204,698

4. INVESTMENT IN AN ASSOCIATE

The Group has investment in the Arab Yemen Cement Company ("the associate"), a limited liability company registered in the Republic of Yemen, by 31.58% equity shares. The associate company was established to engage in cement production and started operation in 2009. The movement in investment during the period / year is as follows:

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
Opening balance	SR 000	SR 000
Share of (loss) / profit during the period / year	281,070	280,420
	(6,546)	650
	274,524	281,070
Less: Impairment of investment	(90,122)	(80,636)
Closing balance	184,402	200,434

During the year ended of December 31, 2022, a study was conducted by an independent consulting office on the possibility of a decrease in the value of investment in the Arab Yemen Cement Company due to the decline in the profit of the associate, by calculating the discounted expected future cash flows of the associate and comparing it with the carrying value of the investee Company, and as a result, an additional decline in the investment value has been recognized amounting to SR 13.6 million. During the period, the Group booked additional decline in the investment amounting to SR 9.5 million.

- The movement on the impairment of investment during the period / year is as follows:

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
Opening balance	SR	SR
Additional impairment of the investment	80,636	66,996
Closing balance	9,486	13,640
	90,122	80,636

The audited financial statements of the associate company for the year ended of December 31, 2022 reflect a going concern matter due to the political crisis, economic situation and current security events in the Republic of Yemen.

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5. TRADE AND RETENTION RECEIVABLES, NET

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR 000	SR 000
Trade receivables	314,441	307,641
Less: Allowance for impairment of trade receivables	(39,714)	(34,094)
	274,727	273,547
Retention receivables	40,595	36,819
Less: Allowance for impairment of retention receivables	(10,909)	(11,939)
	29,686	24,880
	304,413	298,427

5.1 Movement in the allowance for impairment of trade and retention receivables during the period / year is as follows:

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR 000	SR 000
Opening balance	46,033	61,704
Provided / (reversal) of provision during the period / year*	4,590	(15,671)
Closing balance	50,623	46,033

* The provided / reversal of the allowance for impairment of trade and retention receivables has been recognized in the cost of revenue item.

6. PREPAYMENTS AND OTHER ASSETS, NET

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR 000	SR 000
Employee loans - A	16,182	14,668
Advances to suppliers	10,232	14,185
Deferred contract cost, net	10,106	6,738
Prepaid expenses	4,389	9,952
Accrued interest	201	1,115
Other receivables – B	4,889	5,678
	45,999	52,336
Less: Allowance for impairment of prepayment and other assets	(1,362)	(1,362)
	44,637	50,974
Less: non-current portion of employee loans	(12,894)	(11,284)
	31,743	39,690

A- Employee loan's fair value have been measured by actuarial valuation which resulted in debit charge to other comprehensive income by an amount of SR 410 thousand.

B- Other receivables include a balance due from a related party "Al-Dawaa Medical Services Company" by an amount of SR 146 thousand (December 31, 2022: SR 320 thousand) (Note 10).

7. MURABAHA DEPOSITS

The Group invests part of its cash surplus in murabaha deposits with a maturity period of more than three months with financial institutions. The average annual commission rates on these deposits during the year of 2022 was amounting to 5.6%. During the period, the Group liquidated all of the murabaha deposits which was with a maturity period of more than three months, and invested these cash surplus in murabaha deposits but with a maturity period of less than three months with financial institutions which had been classified under cash and cash equivalents.

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8. SHARE CAPITAL

The issued and paid up share capital of the Holding company is SR 860 million, which is divided into 86 million shares (December 31, 2022: SR 860 million divided into 86 million shares) of SR 10 per share.

9. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR 000	SR 000
Trade payables	95,668	95,654
Advances from customers	50,504	47,506
Accrued expenses	44,474	100,215
Retention payable	6,060	6,934
Unearned revenues	3,832	4,907
VAT payable	3,174	4,897
Accrued board of directors remuneration	2,015	4,030
Accrued contract cost – A	1,699	1,120
Other current liabilities	984	279
	208,410	265,542

A- Accrued contract cost represents the stock produced, invoiced and approved by customers but not yet transferred.

10. RELATED PARTIES BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties consist of the shareholders, directors and businesses in which shareholders and directors, individually or combined, have significant influence. The Group's transactions with related parties are entered at arm's length basis in a normal course of business and authorized by the management.

Transactions represent amounts received by the Group from the account of the Arab Yemeni Cement Company (an associate company) in a bank in the State of Oman until they are paid to the suppliers and creditors of the associate on its behalf, as the associate faces difficulties in bank transfers to and from the Republic of Yemen.

<u>Company</u>	<u>Relationship</u>
Arabian Yemeni Cement Company	Associate
Al-Dawaa Medical Services Company	Related party
Walaa Cooperative Insurance Company	Related party

The significant transactions with related parties during the period are as follows:

Related party	Nature of transaction	Six months period ended	
		June 30, 2023 (Un-audited)	June 30, 2022 (Un-audited)
		SR 000	SR 000
Arabian Yemeni Cement Company	Payments to members of the Board of Directors of the Yemeni Company	739	2,011
	Payments to Yemeni Company suppliers	1,612	3,832
	Deposits from the Company	-	(9,394)
Al-Dawaa Medical Services Company	Rent revenue	1,451	1,080
Walaa Cooperative Insurance Company	Services received	920	811

A) Balances payable to related parties are as follows:

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR 000	SR 000
Arabian Yemeni Cement Company	996	3,347
Walaa Cooperative Insurance Company	262	1,860
	1,258	5,207

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10. RELATED PARTIES BALANCES AND TRANSACTIONS (Continued)

B) Other receivables as at June 30, 2023 included a balance due from Al-Dawaa Medical Services Company amounted to SR 146 thousand (December 31, 2022: SR 320 thousand).

C) Remuneration of directors and key management personnel

	June 30, 2023 (Un-audited)		June 30, 2022 (Un-audited)	
	Directors	Key management personnel	Directors	Key management personnel
	SR 000		SR 000	
Board of directors remuneration	2,015	-	5,373	-
Salaries and wages and Allowances	84	5,236	56	4,528
End of service expenses	-	534	-	332
	2,099	5,770	5,429	4,860

11. ZAKAT PROVISION

Movement of zakat provision

	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR 000	SR 000
The balance at the beginning of the period / year	27,924	31,981
Zakat charge	13,500	26,386
Paid for the period / year	(24,372)	(25,289)
Payment specific for additional zakat assessments	-	(5,154)
The balance at the end of the period / year	17,052	27,924

Zakat Status

The Group submitted its zakat returns for the years up to 2022 to the Zakat, Tax and Customs Authority on the consolidated level and obtained the required certificate. During the period, the Group paid the zakat balance due for the year of 2022 return amounting to SR 24,372 million.

In year 2021, the Group received the zakat assessment for the years 2019 and 2020 from the Zakat, Tax and Customs Authority (ZATCA) claiming an amount of SR 8.4 million, of which an amount of SR 3.2 million had been paid during the same year. During Q1 2022, the Group settled and paid the remaining amounts of the assessments. During Q2 2023, the Group has paid the zakat payable balance due for the year of 2022 amounting to SR 24.4 million. The Group did not receive any zakat assessment for years of 2021 and 2022 from ZATCA yet.

12. REVENUE, NET

Classification of the Group's revenues from contracts with customers during the period based on timing of revenue recognition and based on the product's type is as follows:

	June 30, 2023 (Un-audited)	June 30, 2022 (Un-audited)
	SR 000	SR 000
At point in time	334,344	261,801
Over a period of time	118,367	94,748
	452,711	356,549

	June 30, 2023 (Un-audited)	June 30, 2022 (Un-audited)
	SR 000	SR 000
Cement	334,344	261,801
Precast	118,367	94,748
	452,711	356,549

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13. COST OF REVENUE

Cost of revenue consists of consumables, salaries and wages, depreciation and other supplies. As at June 30, 2023, the cost of consumed materials from inventory was amounting to SR 64,751.

14. SEGMENTAL REPORTING

The Group has segregated the operations into two main reporting segments, these reporting segments are as follows:

<u>Segment</u>	<u>Business</u>
Cement	Manufacturing and wholesale ordinary cement, salt-resistant cement and clinker cement.
Precast	Manufacture of partitions, frames and prefabricated buildings from prefabricated concrete.

<u>As of June 30, 2023 (Un-audited)</u>	<u>Cement</u>	<u>Precast</u>	<u>Intersegment adjustments</u>	<u>Total</u>
			SR 000	
Total assets	2,511,529	356,805	(45,233)	2,823,101
Total liabilities	308,623	163,870	(45,233)	427,260
<u>For the six months period ended June 30, 2023 (Un-audited)</u>				
Revenue, net	337,770	118,367	(3,426)	452,711
Net profit	90,674	16,229	-	106,903

	<u>Cement</u>	<u>Precast</u>	<u>Intersegment adjustments</u>	<u>Total</u>
			SR 000	
<u>As of December 31, 2022 (Audited)</u>				
Total assets	2,553,474	337,322	(39,446)	2,851,350
Total liabilities	371,647	159,426	(39,446)	491,627

<u>For the six months period ended June 30, 2022 (Un-audited)</u>				
Revenue, net	261,801	94,748	-	356,549
Net profit (Restated - Note 20)	71,713	3,763	-	75,476

The revenue according to the geographical areas is as follows:

	June 30, 2023	June 30, 2022
	(Un-audited)	(Un-audited)
	SR 000	SR 000
Saudi Arabia	434,589	353,652
Other countries	18,122	2,897
	452,711	356,549

15. EARNINGS PER SHARE

The basic profit per share is calculated by dividing the net income for the period attributable to the ordinary shareholders of the Group by the weighted average number of the outstanding ordinary shares during the period.

The following is the computation of basic and diluted earnings per share:

	For the three months period ended		For the six months period ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
		Restated –Note 20)		Restated –Note 20)
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Net profit for the period (in thousands of SR)	51,330	49,155	106,903	75,476
Number of outstanding shares (in thousands of shares)	86,000	86,000	86,000	86,000
Basic and diluted				
Earnings per share of profit for the period (SR)	0.60	0.57	1.24	0.88

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16. CAPITAL COMMITMENTS

The approved future capital projects as of June 30, 2023 by the Group's management amounting to SR 31.9 million (December 31, 2022: SR 38.4 million).

17. CONTINGENCIES AND COMMITMENTS

As of June 30, 2023, the Group's contingent liabilities against letters of credit and letters of guarantees amounting to SR 226.1 million (December 31, 2022: SR 205 million).

18. DIVIDENDS

During the period, on March 20, 2023, the board of directors has approved the cash dividends distribution amounting to SR 86 million for the second half of the fiscal year 2022, based on dividend per share of SR 1, for the number of shares eligible for dividends amounting to 86 million shares. Dividends have been paid in Q2 2023.

During the Q2 2022, on March 13, 2022, the board of directors has approved the cash dividends distribution amounting to SR 94.6 million for second half of the fiscal year 2021, based on dividend per share of SR 1.10, for the number of shares eligible for dividends amounting to 86 million shares. Dividends have been paid in Q2 2022.

19. FAIR VALUE

For the purposes of financial reporting, the Group used the fair value hierarchy classified at levels 1, 2 and 3 based on the degree of observance of the inputs in the fair value measurement and the importance of these inputs in measuring the fair value in its entirety, as shown below:

- Level 1: Quoted market prices in an active market for similar assets or liabilities that the Group can value at the measurement date.
- Level 2: Inputs other than quoted prices in Level 1 that can be observed either directly (similar prices) or indirectly.
- Level 3: Inputs for assets and liabilities that are not based on observable market information cannot be observed either directly or indirectly from the market.

Investments in quoted equity instruments in the Saudi market are valued according to the market closing price on the date of the condensed consolidated interim financial statements and those instruments have been classified under Level 1.

Investments in unquoted investment funds in the Saudi market are valued according to closing price provided by fund manager on the date of the condensed consolidated interim financial statements and those instruments have been classified under Level 2.

Investments in unquoted equity instruments are evaluated based on approved valuation methods that depend on income approach and market approach, and those instruments are classified under level 3.

	Book value	Fair Value		
		Level-1	Level-2	Level -3
As of June 30, 2023 (Un-audited)	SR 000	SR 000	SR 000	SR 000
Investments in equity instruments through OCI	660,975	179,807	481,168	-
As at December 31, 2022 (Audited)				
Investments in equity instruments through OCI	642,020	161,965	480,055	-

The Valuation models used for the main investment in level 2 (i.e., Industrialization and Energy Services Company) are "Adjusted Market Multiple" techniques, which based on market multiples driven from quoted prices of companies comparable to the investee Company adjusted for the effect of the non-marketability of the equity securities of the investee Company, where price to book value and Enterprise Value to EBITDA variables have been used. Techniques used are significantly depending on observable market inputs.

The fair value of financial instruments carried at amortized cost

Management believes that the carrying value of financial assets and financial liabilities stated at amortized cost in the condensed consolidated interim financial statements approximates their fair value.

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20. CORRECTION OF PRIOR YEARS' ERRORS

On March 23, 2022, the Group received claims from the Ministry of Industry and Mineral Resources (the "Ministry") amounting to SR 1.4 million, which represents the additional amount to be paid for the difference resulting from the Ministry's recalculation of financial consideration for the exploitation of limestone for the years 2019 and 2020 and the amount recorded by the Group. In addition, the Group received another claim for the total financial consideration for the exploitation of limestone for the year 2021 by an amount of 27.2 million out of which the Group recognized an accrued amount of SR 17.5 million as of December 31, 2021, which resulted in a difference of SR 9.7 million. These differences resulted from the issuance of an update to the executive regulations of the mining investment, dated Jumada I 7, 1442H, which was not implemented by the Group in these years. The Group considered this as an error which should be corrected in these years. Accordingly, the Group decided in Q4 of 2022 to correct these errors in the current year by adjusting the comparative figures of years 2021 and 2020 after assessing the related impacts on cost of revenues, accruals, inventory and retained earnings. As result for that adjusting the retained earnings as of January 1, 2021 by an amount of SR 9.5 million, which is in line with the requirements of IAS (8) "Change in Accounting Policies, Change in Accounting Estimates and Accounting Errors".

And since the adjustments arising from the above-mentioned matters were recognized in the Q4 of 2022, the Group's management was required to adjust the financial implications resulting from that with regard to the comparative figures included in the interim statement of profit or loss and other comprehensive income, i.e. the period ended in June 30, 2022, as follows:

For the period ended June 30, 2022

Interim statement of profit or loss and other comprehensive income	Balance as previously stated	Adjustments	Restated balance
Cost of revenue	(246,747)	3,497	(243,250)
Gross profit	109,802	3,497	113,299
Operating profit	75,189	3,497	78,686
Profit before zakat	84,865	3,497	88,362
Profit for the period	71,979	3,497	75,476
Total comprehensive income the period	89,980	3,497	93,477
<u>Earnings per share to net income for the period (SR):</u>	0.84	0.04	0.88

Interim statement of cash flows	Balance as previously stated	Adjustments	Restated balance
<u>Cash flows from operating activities:</u>			
Profit before zakat	84,865	3,497	88,362
<u>Movement in working capital</u>			
Inventories	(89,342)	525	(88,817)
Trade and other liabilities	48,048	(4,022)	44,026

Other than the reclassification stated in above, there were no material reclassification in the condensed interim financial statements.

21. SUBSEQUENT EVENT

Subsequent to the period ended June 30, 2023, the Group announces the distribution of cash dividend of SR 0.60 per share to the shareholders of the Group for the first half of 2023, to have total cash dividend amounting to SR 51.6 million.

22. APPROVAL THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved on by the Board of Directors of the Group on August 6, 2023.