

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED
SEPTEMBER 30, 2022
WITH INDEPENDENT AUDITOR'S REVIEW REPORT

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022

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

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

INTRODUCTION

We have reviewed the accompanying condensed interim statement of financial position of Eastern Province Cement Company (the "Company"), a Saudi Joint Stock Company as at September 30, 2022 and the related condensed interim statement of profit or loss and other comprehensive income for the three month and nine-month periods then ended, and the condensed interim statement of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed 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 interim financial statements based on our review.

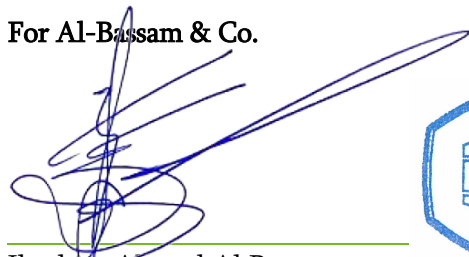
SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 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 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 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: Rabi I 29, 1444H

Corresponding to: October 25, 2022



EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2022

		September 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	Note	SR 000	SR 000
ASSETS			
Non-current assets			
Property, plant and equipment	3	755,722	758,176
Intangible assets		996	1,219
Investment properties		90,224	91,448
Right-of-use assets		6,107	5,518
Investments at fair value through OCI	4	648,160	589,731
Investment in an associate	5	211,147	213,424
Prepayments and other assets - non current, net	7	9,693	8,036
		<u>1,722,049</u>	<u>1,667,552</u>
Current assets			
Inventories, net		587,460	466,021
Trade and retention receivables, net	6	224,667	208,925
Prepayments and other assets - current, net	7	38,813	36,931
Investment at fair value through profit or loss	8	140,136	-
Cash and cash equivalents		47,061	402,279
		<u>1,038,137</u>	<u>1,114,156</u>
TOTAL ASSETS		<u>2,760,186</u>	<u>2,781,708</u>
EQUITY AND LIABILITIES			
Equity			
Share Capital	9	860,000	860,000
Statutory reserve		430,000	430,000
Voluntary reserve		404,639	404,639
Retained earnings		431,999	488,951
Reserve of valuation of equity investments carried at FVOCI	4	210,838	242,943
Actuarial reserves		(8,996)	(14,778)
		<u>2,328,480</u>	<u>2,411,755</u>
LIABILITIES			
Non- current liabilities			
Employees' end of service benefits		82,985	85,820
Other provisions		34,972	34,380
Lease liabilities – non-current		4,401	4,191
		<u>122,358</u>	<u>124,391</u>
Current liabilities			
Accounts payable and other liabilities	10	222,095	149,879
Due to related parties	11	3,402	2,301
Dividends payables		60,920	60,016
Lease liabilities – current		1,907	1,385
Zakat provision	12	21,024	31,981
		<u>309,348</u>	<u>245,562</u>
TOTAL LIABILITIES		<u>431,706</u>	<u>369,953</u>
TOTAL EQUITY AND LIABILITIES		<u>2,760,186</u>	<u>2,781,708</u>
CONTINGENCIES AND COMMITMENTS	15&16&17	-	-


Finance Manager


Chief Executive Officer


Authorized Board Member

The accompanying notes 1 through 20 form an integral part of these condensed interim financial statements.

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS AND OTHER
COMPERHENSIVE INCOME
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022**

	Note	Three Months Period Ended		Nine Months Period Ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
		SR 000	SR 000	SR 000	SR 000
Revenue, net	13	173,994	169,362	530,543	598,459
Cost of revenue		(124,052)	(113,331)	(370,799)	(388,349)
Gross profit		49,942	56,031	159,744	210,110
General and administrative expenses		(13,967)	(9,279)	(43,760)	(36,486)
Selling and marketing expenses		(2,740)	(2,016)	(7,560)	(6,198)
Operating profit		33,235	44,736	108,424	167,426
Dividends and murabaha income		1,678	1,225	5,208	5,364
Share of (loss) / profit in an associate	5	(3,795)	6,246	(2,277)	16,897
Unrealized gain on investments at fair value through profit or loss	8	136	-	1,998	-
Other (loss) / income		(884)	2,243	8,389	6,591
Other expense		(3,309)	(5,921)	(8,016)	(9,569)
Finance charges		(2,104)	(762)	(4,138)	(2,230)
Gain / (loss) on exchange of foreign currency		191	44	760	(684)
losses on disposal of property, plant and equipment		(2)	(787)	(337)	(2,435)
Profit before zakat		25,146	47,024	110,011	181,360
Zakat expenses	12	(6,600)	(9,300)	(19,486)	(21,900)
Profit for the period		18,546	37,724	90,525	159,460
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		2,281	(1,923)	5,782	1,166
Unrealized (loss) / gain from investments at fair value through OCI		(13,482)	14,936	1,018	32,594
Other comprehensive (loss) / income for the period		(11,201)	13,013	6,800	33,760
Total comprehensive income		7,345	50,737	97,325	193,220
Basic and diluted earnings per share	14	0.22	0.44	1.05	1.85

Finance Manager

Chief Executive Officer

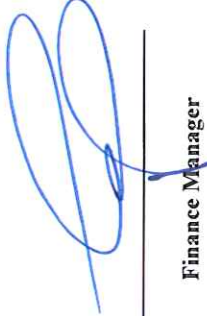
Authorized Board Member

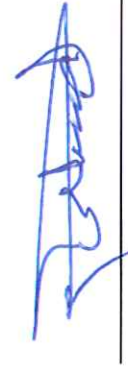
The accompanying notes 1 through 20 form an integral part of these condensed interim financial statements.

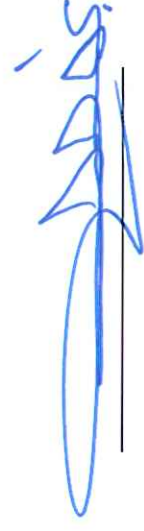
EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM STATEMENT OF CHANGE IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022**

	Share capital	Statutory reserve	Voluntary reserve	Retained earnings	Reserve of valuation of equity instruments carried at FVOCI	Actuarial reserves	Total equity
	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000
Balance as at January 1, 2021 (Audited)	860,000	430,000	404,639	623,436	229,908	(14,495)	2,533,488
Net income for the period	-	-	-	159,460	-	-	159,460
Other comprehensive income	-	-	-	-	32,594	1,166	33,760
Dividends (note 18)	-	-	-	(335,400)	-	-	(335,400)
Balance as at September 30, 2021 (Un-audited)	860,000	430,000	404,639	447,496	262,502	(13,329)	2,391,308
Balance as at January 1, 2022 (Audited)	860,000	430,000	404,639	488,951	242,943	(14,778)	2,411,755
Net income for the period	-	-	-	90,525	-	-	90,525
Other comprehensive income	-	-	-	-	1,018	5,782	6,800
Realized gain transferred to retained earnings (Note 4-C)	-	-	-	33,123	(33,123)	-	-
Dividends (note 18)	-	-	-	(180,600)	-	-	(180,600)
Balance as at September 30, 2022 (Un-audited)	860,000	430,000	404,639	431,999	210,838	(8,996)	2,328,480


Finance Manager


Chief Executive Officer


Authorized Board Member

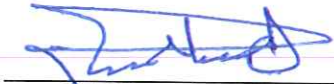
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EASTERN PROVINCE CEMENT COMPANY
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CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	September 30, 2022 (Un-audited)	September 30, 2021 (Un-audited)
Cash flows from operating activities:	SR 000	SR 000
Profit before zakat	110,011	181,360
Adjustments for:		
Depreciation of property, plant and equipment and intangible assets amortization	76,488	72,845
loss on disposal of property, plant and equipment	337	2,435
Dividend and murabaha income	(5,208)	(5,364)
Unrealized gain on investments at fair value through profit or loss	(1,998)	-
Depreciation of investment properties	1,224	1,224
Amortization of Right-of-use asset	1,399	184
Provision for slow moving spare parts inventory	1,300	1,782
Provision for trade receivables	-	2,000
Finance charges	4,138	2,230
Share of loss / (profit) in an associate	2,277	(16,897)
Employees' end of service benefits	6,977	8,120
	196,945	249,919
Movement in working capital		
Trade and retention receivable, prepayments and other assets	(19,281)	(18,947)
Inventories	(142,683)	(36,815)
Trade and other liabilities	72,216	3,275
Due to related parties	1,101	(6,131)
Employees' end of service benefits paid	(3,785)	(2,671)
Zakat paid	(30,443)	(22,854)
Finance charges paid	(4,138)	(1,651)
Net cash generated from operating activities	69,932	164,125
Cash flows from investing activities:		
Additions to property, plant and equipment	(54,367)	(10,520)
Proceeds from selling of property, plant and equipment	163	-
Acquisition of investments at fair value through profit or loss	(138,138)	-
Acquisition of investments at fair value through OCI	(100,000)	-
Proceeds from dividend income and interest on murabaha deposits	5,208	5,364
Proceeds from selling of investments at fair value through OCI	42,589	-
Dividends received from associate	-	6,099
Net cash (used in) / generated from investing activities	(244,545)	943
Cash flows from financing activities:		
Dividends paid	(179,696)	(332,703)
Repayment of lease liabilities	(909)	(174)
Net cash used in financing activities	(180,605)	(332,877)
Net change in cash and cash equivalents	(355,218)	(167,809)
Cash and cash equivalent at the beginning of the period	402,279	528,641
Cash and cash equivalents at the end of the period	47,061	360,832
Non-cash transactions		
Additions to right-of-use asset against lease liabilities	1,988	5,213
Employees' end of service re-measurement	5,782	1,166
Unrealized gain on equity instruments carried at FVOCI	1,018	32,594
Capitalized spare parts	19,944	23,160


Finance Manager


Chief Executive Officer


Authorized Board Member

The accompanying notes 1 through 20 form an integral part of these condensed interim financial statements.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022**

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Eastern Province Cement Company ("the 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 Company's registered office is located in Dammam, Kingdom of Saudi Arabia.

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

The 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 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 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 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 for ten Hijri years.

The condensed interim financial statements of the Company as at September 30, 2022 include the financial statements of the Company and its following branches:

Branch Commercial Registration No.	Date	Place of Issue	Commercial Name of the Branch
A- 2051035184	Rajab 21, 1428	Dammam	Prainsa Saudi Arabia – Branch of Eastern Province Cement Company.
B- 2055022383	Jumada Al-Thani 16, 1435	Jubail	Eastern Province Cement Plant.
C- 4042100240	Dhu'l-Hijjah 2, 1439	Asfan	Eastern Province Cement Plant.

A- The branch activity is the production of precast concrete items under the Industrial License No. 3031328, dated Rabi` Awwal 3, 1437.

The Board of Directors of the Eastern Province Cement Company decided in its meeting held on 11 December 2018, to start the procedures for converting the Prainsa Saudi Arabia branch into a limited liability Company, and the legal formalities for change in legal structure of branch had not been completed up to September 30, 2022.

B- The 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.

C- 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) (Note 3).

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements of the Company for the three and nine months periods ended September 30, 2022 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 Company's latest annual financial statements for the year ended December 31, 2021 ("latest annual financial statements"). These condensed 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 Company's financial position and performance since the latest annual financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022

2. BASIS OF PREPARATION (Continued)

2.2 Preparation of the condensed interim financial statements

The condensed 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 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 interim financial statements. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the latest annual financial statements.

2.3 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 Company's Financial Statements, except for where referenced below.

New amendments to standards issued and applied effective in the year 2022

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 37	Onerous Contracts Cost of Fulfilling Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements IFRS 9: The amendment clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary that becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'.
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022

2. BASIS OF PREPARATION (Continued)

2.4 New standards, amendments and revised IFRS issued but not yet effective

The Company has not applied the following new and revised IFRSs and amendments to IFRS 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 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	N/A	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.

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

3. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

During the nine months' period ended September 30, 2022, the additions to property, plant and equipment included acquired assets with a purchase cost of SR 28,000,000. This amount represent the consideration paid by the Company according to the purchase agreement dated December 29, 2021 against all property and equipment items, without the related liabilities, which has been acquired through the acquisition of Construction Industries Company Factory for Concrete Buildings ("a branch") registered under commercial registration number 4042100240 dated Dhu'l-Hijjah 2, 1439.

EASTERN PROVINCE CEMENT COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022

4. INVESTMENTS AT FAIR VALUE THROUGH OCI

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

		September 30, 2022		December 31, 2021	
		(Un-audited)		(Audited)	
	Note	Number of shares (in thousands)	Amount SR 000	Number of shares (in thousands)	Amount SR 000
Saudi Industrial Investment Company	4-A-1	1,100	25,146	2,300	71,645
Industrialization and Energy Services Company	4-A-2	27,187	454,575	27,187	454,575
Saudi Arabian Oil Company (Aramco)	4-A-3	1,951	69,960	1,774	63,511
			549,681		589,731
Discretionary Portfolio Management Investments	4-A-4	-	98,479	-	-
			648,160		589,731

4-A-1 The Saudi Industrial Investment Company (a Saudi Joint Stock Company listed on the financial market) (Tadawul) whereby the Company owns 0.24% of the equity shares of the Company (December 31, 2021: 0.51% of the equity shares). The share price of the investee Company as of September 30, 2022 was SR 22.86 per share (December 31, 2021: SR 31.15 per share). During the period, the Company received cash dividends from Saudi Industrial Investment Company by an amounts of SR 1.7 million.

During the period the Company 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.

4-A-2 Industrialization and Energy Services Company is Saudi closed joint stock Company whereby the Company owns 5.44% of equity shares of investee Company. The Company's management determined the value of investments in the Industrialization and Energy Services Company based on a report from an independent evaluator as of December 31, 2021 by a value of SR 16.72 per share, resulting in a total value of the investment amounting to SR 454,575 million.

4-A-3 On year 2019, the Company 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 September 30, 2022 was SR 35.85 per share (December 31, 2021: SR 35.80 per share). During the period, the Company received dividends from Aramco by an amounts of SR 1.9 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.

4-A-4 During the period ended September 30, 2022, the Company's management entered in local discretionary portfolio management ("DPM") agreements managed by investment manager, the Company's management has irrevocably chosen the measurement and classification of its DPM investments as investments at fair value through other comprehensive income.

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

	September 30, 2022	December 31, 2021
	(Un-audited)	(Audited)
Quoted:	SR 000	SR 000
Saudi Industrial Investment Company	25,146	71,645
Saudi Arabian Oil Company (Aramco)	69,960	63,511
Discretionary Portfolio Management Investments	69,681	-
	164,787	135,156
Unquoted:		
Industrialization and Energy Services Company	454,575	454,575
Discretionary Portfolio Management Investments	28,798	-
	483,373	454,575
	648,160	589,731

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022

4- INVESTMENTS AT FAIR VALUE THROUGH OCI (Continued)

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

	September 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR 000	SR 000
Opening balance	242,943	229,908
Unrealized gain from investments at fair value through OCI, net	1,018	13,035
Realized gain transferred to retained earnings	(33,123)	-
Closing balance	210,838	242,943

5. INVESTMENT IN AN ASSOCIATE

The Company 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:

	September 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR 000	SR 000
Opening balance	280,420	266,014
Share of (loss) / profit for the during period / year	(2,277)	20,505
Dividends	-	(6,099)
	278,143	280,420
Less: impairment of investment	(66,996)	(66,996)
Closing balance	211,147	213,424

The financial statements for the year ended of December 31, 2021 reflect a going concern matter due to the political crisis, economic situation and current security events in the Republic of Yemen.

6. TRADE AND RETENTION RECEIVABLES, NET

	September 30 2022 (Un-audited)	December 31, 2021 (Audited)
	SR 000	SR 000
Trade receivables	256,154	239,920
Less: Allowance for impairment of trade receivables	(35,259)	(35,259)
	220,895	204,661
Retention receivables	30,217	30,709
Less: Allowance for impairment of retention receivables	(26,445)	(26,445)
	3,772	4,264
	224,667	208,925

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

	September 30 2022 (Un-audited)	December 31, 2021 (Audited)
	SR 000	SR 000
Opening balance	61,704	61,704
Closing balance	61,704	61,704

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7. PREPAYMENTS AND OTHER ASSETS, NET

	September 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR 000	SR 000
Advances to suppliers	15,617	9,605
Employee loans - A	13,121	12,263
Deferred cost - B	10,236	10,236
Prepaid expenses	6,934	8,900
Accrued interest	-	224
Other receivables - C	3,960	5,101
	49,868	46,329
Less: Allowance for impairment of prepayment and other assets	(1,362)	(1,362)
	48,506	44,967
	(9,693)	(8,036)
Less: non-current portion of employee loans	38,813	36,931

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 245 thousand.

B- Deferred cost represents the expense spent by the Company on projects that were not yet eligible for revenue recognition.

C- Other receivables include a balance due from a related party "Al-Dawaa Medical Services Company" by an amount of SR 168 thousand (December 31, 2021: SR 220 thousand).

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments at fair value through profit or loss represents investment in a local funds managed by local financial institutions amounting to SR 140,136 million as of September 30, 2022.

The Company has irrevocably chosen to classify these investments as investments at fair value through profit or loss, provided that investments is evaluated at the end of each financial reporting period and its profits or losses are charged to profit or loss.

9. SHARE CAPITAL

The issued and paid up share capital of the company is SR 860 million, which is divided into 86 million shares (December 31, 2021: SR 860 million divided into 86 million shares) of SR 10 per share.

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	September 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR 000	SR 000
Trade payables	94,785	62,038
Accrued expenses	87,786	49,174
Advances from customers	17,200	13,931
Deferred revenues – A	10,593	10,593
Retention payable	6,117	5,647
VAT payable	3,120	4,137
Unearned revenues	2,097	4,180
Other current liabilities	397	179
	222,095	149,879

A- Deferred revenues represent revenue that has invoiced to the clients which are not yet eligible for being recognized as revenue.

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11. 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 Company's transactions with related parties are authorized by the management.

One of the major transactions represent amounts received by the Company 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:

<u>Related party</u>	<u>Nature of transaction</u>	Nine months period ended September 30, 2022 (Un-audited)	Nine months period ended September 30, 2021 (Un-audited)
		SR 000	SR 000
Arabian Yemeni Cement Company	Payments to members of the Board of Directors of the Yemeni Company	2,011	1,575
	Payments to Yemeni Company suppliers	4,526	1,840
	Deposits from the Company	(9,394)	(3,375)
	Payments of the dividends	-	6,099
Al-Dawaa Medical Services Company	Rent revenue	1,676	1,897
Walaa Cooperative Insurance Company	Services received	1,193	-

A) Balances payable to related parties are as follows:

	September 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR 000	SR 000
Arabian Yemeni Cement Company	3,402	545
Walaa Cooperative Insurance Company	-	1,756
	3,402	2,301

B) Accounts receivable as at September 30, 2022 included a balance due from Al-Dawaa Medical Services Company amounting to SR 168 thousand (December 31, 2021: SR 220 thousand).

C) Remuneration of directors and key management personnel

	September 30, 2022 (Un-audited)		September 30, 2021 (Un-audited)	
	Directors	Key management personnel	Directors	Key management personnel
	SR 000		SR 000	
Board of directors remuneration	6,717	-	2,550	-
Salaries and wages and Allowances	95	6,651	110	6,038
End of service expenses	-	440	-	404
	6,812	7,091	2,660	6,442

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12. ZAKAT PROVISION

Movement of zakat provision

	September 30, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR 000	SR 000
The balance at the beginning of the period / year	31,981	23,809
Zakat charge	19,486	34,226
Paid for the period / year	(25,289)	(22,502)
Payment specific to zakat assessment	(5,154)	(3,552)
The balance at the end of the period / year	21,024	31,981

Zakat Status

The Company submitted its zakat returns for the years up to 2021 to the Zakat, Tax and Customs Authority and obtained the required certificates.

In year 2021, the Company received the zakat assessment for the years 2019 and 2020 from the Zakat, Tax and Customs Authority 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 Company settled and paid the remaining amounts of the assessments. During Q2 2022 The Company has paid the zakat payable balance due for the year of 2021 amounting to SR 25.3 million.

13. SEGMENTAL REPORTING

The Company 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 September 30, 2022 (Un-audited)</u>	Cement	Precast	Intersegment adjustments	Total
			SR 000	
Total assets	2,512,078	282,716	(34,608)	2,760,186
Total liabilities	373,076	112,735	(54,105)	431,706

<u>For the nine months period ended September 30, 2022 (Un-audited)</u>	Cement	Precast	Intersegment adjustments	Total
Revenue, net	392,437	138,106	-	530,543
Net profit / (loss), net	91,618	(1,093)	-	90,525

<u>As of December 31, 2021 (Audited)</u>	Cement	Precast	Intersegment adjustments	Total
			SR 000	
Total assets	2,591,802	211,538	(21,632)	2,781,708
Total liabilities	336,317	74,766	(41,130)	369,953

<u>For the nine months period ended September 30, 2021 (Un-audited)</u>	Cement	Precast	Intersegment adjustments	Total
Revenue, net	502,411	99,377	(3,329)	598,459
Net profit	157,209	856	1,395	159,460

The revenue recognized according to the geographical areas is as follows:

	September 30, 2022 (Un-audited)	September 30, 2021 (Un-audited)
	SR 000	SR 000
Saudi Arabia	515,148	592,061
Other countries	15,395	6,398
	530,543	598,459

Revenues during the period from three major customers of the Company's Cement segment was SR 248 million represented approximately 56% of the segment's total revenues.

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14. 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 Company 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 nine months period ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Net profit for the period (in thousands of SR)	18,546	37,724	90,525	159,460
Number of outstanding shares (in thousands of shares)	86,000	86,000	86,000	86,000
Basic and diluted earnings per share (SR)	0.22	0.44	1.05	1.85

15. CAPITAL COMMITMENTS

The approved future capital projects as of September 30, 2022 by the company's management amounting to SR 24 million (December 31, 2021: SR 23 million).

16. CONTINGENT CLAIMS

On March 23, 2022, the Company received a notice claim from the Ministry of Industry and Mineral Resources (the "Ministry") amounting to SR 14.6 million, which represents the difference resulting from the Ministry's recalculation of financial consideration for the exploitation of limestone for the years 2019 and 2020. Currently the Company is following up on this matter with the Ministry to find out this modified mechanism for the calculation. The discussions are still in progress until the date of approval of the condensed interim financial statements. Also, the financial consideration for the exploitation of limestone for the year 2021 has not been raised to the Ministry till date. The Company expect that according to the revised calculation mechanism, the financial consideration will increase for the year 2021 by the amounts of SR 16.8 million. The Company's management believes that the final outcome cannot be determined at the present time due to the discussions currently taking place with the Ministry about that modified mechanism. Therefore, no additional provision has been recorded in the condensed interim financial statements for the period ended September 30, 2022.

17. CONTINGENT LIABILITIES

As of September 30, 2022, the Company's contingent liabilities against letters of credit and letters of guarantees amounting to SR 100 million (December 31, 2021: SR 91 million).

18. DIVIDENDS

During the period, 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 distributed in Q2 2022.

During the period, on August 3, 2022, the board of directors has approved the cash dividends distribution amounting to SR 86 million for first 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 distributed in Q3 2022.

19. FAIR VALUE

For the purposes of financial reporting, the company 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 Company 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 interim financial statements and those instruments have been classified under Level 1.

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19. FAIR VALUE (Continued)

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 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 September 30, 2022 (Un-audited)	SR 000	SR 000	SR 000	SR 000
Investments in equity instruments through OCI	648,160	164,787	28,798	454,575
Investments at fair value through profit or loss	140,136	-	140,136	-
As at December 31, 2021 (Audited)				
Investments in equity instruments through OCI	589,731	135,156	-	454,575

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 financial statements approximates their fair value.

20. APPROVAL THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved on by the Board of Directors of the Company on October 24, 2022.