

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

**CONDENSED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**
For the three-month and nine-month periods ended 30 September 2022
with
INDEPENDENT AUDITORS' REPORT ON REVIEW

**KPMG Professional Services**

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Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

مركز زهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792
المركز الرئيسي في الرياض

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

To the Shareholders of Southern Province Cement Company
(A Saudi Joint Stock Company)
Abha, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying 30 September 2022 condensed interim financial statements of Southern Province Cement Company (the "Company"), which comprise of:

- the condensed interim statement of financial position as at September 30, 2022;
- the condensed statements of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2022;
- the condensed interim statement of changes in equity for the nine-month period ended September 30, 2022;
- the condensed interim statement of cash flows for the nine-month period ended September 30, 2022; and
- the notes to 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 (IAS 34), 'Interim Financial Reporting' 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 the 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 interim financial information 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.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (25,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية متناهية المساهمة، مسجلة في المملكة العربية السعودية، رأس ماله (25,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". و هي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة التليزية محدودة بضمان. جميع الحقوق محفوظة

Commercial Registration of the headquarters in Riyadh is 1010425494.

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

To the Shareholders of Southern Province Cement Company
(A Saudi Joint Stock Company)
Abha, Kingdom of Saudi Arabia

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying September 30, 2022 condensed interim financial statements of **Southern Province Cement Company** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Professional Services



Ebrahim Oboud Baeshen
License No. 382



Jeddah, 2 November 2022
Corresponding to 8 Rabi Al Thani 1444H

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2022
(Saudi Riyal)

| | Note | 30 September 2022 (Unaudited) | 31 December 2021 (Audited) (Restated – note 16) |
|--|------|-------------------------------------|---|
| <u>Asset</u> | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 2,742,894,879 | 2,820,875,678 |
| Investment properties | | 5,437,625 | 5,437,625 |
| Total non-current assets | | 2,748,332,504 | 2,826,313,303 |
| Current assets | | | |
| Inventories | 7 | 684,092,581 | 573,381,462 |
| Trade receivables | | 53,971,786 | 50,715,235 |
| Prepayments and other receivables | 8 | 36,302,252 | 50,712,007 |
| Cash and cash equivalent | 9 | 288,353,717 | 503,597,996 |
| Total current assets | | 1,062,720,336 | 1,178,406,700 |
| Total assets | | 3,811,052,840 | 4,004,720,003 |
| <u>Shareholders' equity and liabilities</u> | | | |
| <u>Equity:</u> | | | |
| Share capital paid | 1 | 1,400,000,000 | 1,400,000,000 |
| Statutory reserve | | 700,000,000 | 700,000,000 |
| Retained earnings | | 1,033,520,478 | 1,075,114,653 |
| Total equity | | 3,133,520,478 | 3,175,114,653 |
| <u>Liabilities</u> | | | |
| Current liabilities | | | |
| Bank facilities | 10 | 193,397,000 | 253,397,000 |
| Employees' defined benefit obligation | | 120,156,016 | 117,864,488 |
| Total non-current liabilities | | 313,553,016 | 371,261,488 |
| Current liabilities | | | |
| Bank facilities | 10 | 78,750,000 | 75,000,000 |
| Accrued expenses and other payables | | 69,679,045 | 124,907,704 |
| Trade payables | | 41,076,593 | 53,410,969 |
| Dividend payables | 11 | 160,965,887 | 161,586,672 |
| Zakat provision | 12-b | 13,507,821 | 43,438,517 |
| Total current liabilities | | 363,979,346 | 458,343,862 |
| Total liabilities | | 677,532,362 | 829,605,350 |
| Total shareholders' equity and liabilities | | 3,811,052,840 | 4,004,720,003 |

The accompanying notes 1 to 17 form an integral part of these Interim Condensed Financial Statements.


Executive Vice President
of Finance


Chief Executive Officer

SOUTHERN PROVINCE CEMENT COMPANY

(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2022

(Saudi Riyal)

| | Note | For the three-months period ended 30 September | | For the nine-months period ended 30 September | |
|--|------|---|--|--|--|
| | | 2022 (Unaudited) | 2021 (Unaudited) (Restated – note 16) | 2022 (Unaudited) | 2021 (Unaudited) (Restated – note 16) |
| REVENUE | | 323,326,612 | 284,222,487 | 887,240,822 | 1,010,891,756 |
| Cost of revenue | | (217,578,870) | (185,641,590) | (619,039,420) | (624,887,233) |
| Gross profit | | 105,747,742 | 98,580,897 | 268,201,402 | 386,004,523 |
| Selling and distribution expenses | | (3,419,094) | (1,517,540) | (7,968,684) | (6,105,488) |
| General and administrative expenses | | (9,327,661) | (20,430,118) | (33,698,639) | (41,404,137) |
| Operating income | | 93,000,987 | 76,633,239 | 226,534,079 | 338,494,898 |
| Finance costs | | (3,153,332) | (2,099,587) | (7,234,750) | (6,756,598) |
| Other Income | | 2,805,298 | 1,725,706 | 6,104,809 | 8,771,129 |
| Profit before Zakat | | 92,652,953 | 76,259,358 | 225,404,138 | 340,509,429 |
| Zakat provision no more required | 12-b | -- | -- | 24,918,466 | -- |
| Zakat | 12-a | (4,036,801) | (2,138,999) | (11,916,779) | (9,265,286) |
| Period profit | | 88,616,152 | 74,120,359 | 238,405,825 | 331,244,143 |
| Other Comprehensive income | | | | | |
| <i>Items that will not be reclassified under profit or loss:</i> | | | | | |
| Re-measurement of employee defined benefit obligation | | -- | -- | -- | -- |
| Total other comprehensive income | | -- | -- | -- | -- |
| Total comprehensive income | | 88,616,152 | 74,120,359 | 238,405,825 | 331,244,143 |
| <u>Earnings per share to net income for the period (Saudi Riyals):</u> | 13 | | | | |
| Basic | | 0.63 | 0.53 | 1.70 | 2.37 |
| Diluted | | 0.63 | 0.53 | 1.70 | 2.37 |

The accompanying notes 1 to 17 form an integral part of these Interim Condensed Financial Statements.

Executive Vice President
of Finance

Chief Executive Officer

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine-month periods ended 30 September 2022
(Saudi Riyal)

| | Note | Share capital | Statutory reserve | Retained earnings | Total |
|--|------|----------------------|--------------------|----------------------|----------------------|
| The nine-month period ended 30 September 2022 | | | | | |
| Balance as at 1 January 2022 (audited) (as previously reported) | | 1,400,000,000 | 700,000,000 | 1,107,491,974 | 3,207,491,974 |
| Correction of previous years' errors (note 16) | | -- | -- | (32,377,321) | (32,377,321) |
| Balance as at 1 January 2022 (restated, note 16) | | 1,400,000,000 | 700,000,000 | 1,075,114,653 | 3,175,114,653 |
| Profit for the period | | -- | -- | 238,405,825 | 238,405,825 |
| other comprehensive income | | -- | -- | -- | -- |
| Total comprehensive income for the period | | -- | -- | 238,405,825 | 238,405,825 |
| Transactions with shareholders of the Company | | | | | |
| Dividends | 11 | -- | -- | (280,000,000) | (280,000,000) |
| Balance at 30 September 2022 (unaudited) | | 1,400,000,000 | 700,000,000 | 1,033,520,478 | 3,133,520,478 |
| Nine-month period ended 30 September 2021: | | | | | |
| Balance at 1 January 2021 (audited) | | 1,400,000,000 | 700,000,000 | 1,179,712,771 | 3,279,712,771 |
| Period profit (Restated, note 16) | | -- | -- | 331,244,143 | 331,244,143 |
| other comprehensive income | | -- | -- | -- | -- |
| Total comprehensive income for the period (restated, note 16) | | -- | -- | 331,244,143 | 331,244,143 |
| Transactions with shareholders of the Company | | | | | |
| Dividends | 11 | -- | -- | (525,000,000) | (525,000,000) |
| Balance at 30 September 2021 (unaudited) (restated, note 16) | | 1,400,000,000 | 700,000,000 | 985,956,914 | 3,085,956,914 |

The accompanying notes 1 to 17 form an integral part of these Interim Condensed Financial Statements.


Executive Vice President
of Finance


Chief Executive Officer

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine-month periods ended 30 September 2022

(Saudi Riyals)

| | Note | 2022 (Unaudited) | 2021 (Unaudited) (Restated – note 16) |
|---|------|----------------------|--|
| <u>Operating activities:</u> | | | |
| Profit for the period before Zakat | | 225,404,138 | 340,509,429 |
| <u>Adjustments:</u> | | | |
| Depreciation on property, plant and equipment | 6 | 163,660,830 | 152,577,185 |
| Profit of property, plant and equipment disposal | | -- | (2,730,827) |
| Provision for slow-moving no longer required inventory) | | (2,738,402) | -- |
| Provisions | | -- | 10,000,000 |
| Employee defined benefit obligation charge for the period | | 11,344,179 | 8,953,641 |
| | | 397,670,745 | 509,309,428 |
| Change in working capital: | | | |
| Trade receivables | | (3,256,551) | (9,336,012) |
| Inventories | | (107,972,717) | (29,183,419) |
| Prepayments and other receivables | | 14,409,755 | (9,146,430) |
| Trade payables | | (12,334,376) | (8,798,915) |
| Accrued expenses and accounts payable | | (55,228,659) | (18,038,343) |
| Employees defined benefits - paid | | (9,052,651) | (5,512,723) |
| Zakat paid | 12-b | (16,929,009) | (16,910,665) |
| Net cash generated from operating activities | | 207,306,537 | 412,382,921 |
| <u>Investing activities:</u> | | | |
| Additions of property, plant and equipment | 6 | (85,680,031) | (32,579,462) |
| Proceeds from sale of property plant and equipment | | -- | 2,842,500 |
| Net cash used in investing activities | | (85,680,031) | (29,736,962) |
| <u>Financing activities:</u> | | | |
| Paid from facilities | 10 | (56,250,000) | (52,500,000) |
| Dividends Paid | 11 | (280,620,785) | (520,920,615) |
| Net cash used in financing activities | | (336,870,785) | (573,420,615) |
| Change in cash and cash equivalents during the period | | (215,244,279) | (190,774,656) |
| Cash and cash equivalents as at the beginning of the period | | 503,597,996 | 542,534,970 |
| Cash equivalents at the end of the period | 9 | 288,353,717 | 351,760,314 |
| <u>Significant non-cash transactions</u> | | | |
| Transfer from projects in progress to property, plant and equipment | 6 | 7,543,156 | 440,649 |

The accompanying notes 1 to 17 form an integral part of these Interim Condensed Financial Statements.


Executive Vice President
of Finance


Chief Executive Officer

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
As at 30 September 2022

1. GENERAL

Southern Province Cement Company was established as a Saudi Joint Stock Company ("the Company") under the Royal Decree No. M/3 on 24/3/1397H based on the Council of Ministers Resolution No. 1074 on 10/8/1394H and is registered in Abha City under the Commercial Registration No. 5850001443 on 27/04/1399H pursuant to the Ministry of Industry and Electricity Resolution No. 67/S dated 17/3/1396H.

The Company's main activity is to manufacture and produce cement, its derivatives and accessories, and to trade in those products and to carry out all works related directly to the realization of these purposes. The Company may have an interest or participate in any way with entities and companies that carry out works similar to their work or which may cooperate to achieve their purpose. It may own, or purchase shares in these companies, and to merge it or to merge into or to purchase them. The Company may have an interest or participate in any form with other companies, provided that it does not exceed 20% of its free reserves and does not exceed 10% of the share capital of the Company in which it participates. The total number of such shares shall not exceed the value of these reserves and the Ordinary General Assembly shall be informed in their first meeting.

As at 30 September 2022, the authorized, subscribed and fully-paid-up share capital 1.4 billion (2021: SR 1.4 billion) divided into 140 million ordinary shares (2021: 140 million shares) of SR 10 each (2021: SR 10).

The registered address of the Company is as follows:

Southern Province Cement Company
Abha City
P.O. Box 548
Abha, Kingdom of Saudi Arabia

The Company operates through three factories, which are as follows:

- a) Jazan, Ahad Al Masariyah City.
- b) Aseer Region, Bisha Governorate.
- c) Mecca Region, Al Qunfudhah - Thaloth Emara

The following factories operate under separate industrial licenses that are numbered and dated as follows:

| <u>Factory</u> | <u>Industrial License No.</u> | <u>Industrial license date</u> |
|----------------------------------|-------------------------------|--------------------------------|
| Ahad Al Masariyah - Jazan Region | ٤١١١.٢١.١٠٧٠ | 29/04/1441H |
| Bisha - Aseer Region | ١١ | 08/04/1441H |
| Tehama - Makkah Region | ٤١١١.٢١.٢٦٩٣ | 18/06/1441H |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
As at 30 September 2022

2. BASIS OF PREPERATION

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants. These condensed interim financial statements should be read in conjunction with the financial statements of the last annual financial statements of the Company as in as at 31 December 2021 ("Previous Year Financial Statements"). These financial statements do not include all the information required to prepare a complete set of financial statements in accordance with the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia, however some accounting policies and explanatory notes have been included to explain the events and transactions that are important to understand the changes in the financial position and financial performance of the Company from the financial statements of the previous year. In addition, the results for the nine-month period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the year ending 31 December 2022.

b) Basis of measurement

The condensed interim financial statements have been prepared on historical cost basis, except for the following major items presented in condensed interim statement of financial position:

- Accruals for employee defined benefit obligations that are measured at the present value of future liabilities are recognized using the projected unit credit method. Using the accrual basis of accounting and the going concern concept.

c) Functional and presentation currency

These condensed interim financial statements have been presented in Saudi Arabian Riyals (SR) which is the Company's functional and presentation currency.

3. USE OF JUDGEMENTS AND ESTIMATES

The preparation of the condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and actual results may differ from these estimates.

Estimates and assumptions are based on previous experience and factors that may include expecting suitable future events which are used to extend book period of dependent assets and liabilities from other resources and estimates and assumptions are continuously being evaluated. Revised accounting estimates are also reviewed in the period in which the estimates are revised in the audit period and future periods, if the changed estimates affect current and future periods.

Significant judgments and estimates made by the management upon the adopting the Company's accounting policies correspond to the disclosed policies in last year's financial statements.

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

As at 30 September 2022

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company in preparing the financial statements are consistent with those followed in preparing the annual financial statements of the Company for the year ended 31 December 2021, and there are no new standards that were issued during the year. However, there is also a number of amendments to the standards which are effective as of 1 January 2022, which did not have a material impact on the financial statements for the year 2021.

5. SEGMENTAL INFORMATION

The presentation of key segments is determined on the basis that the risks and rewards of the Company are substantially affected by the differences in the products of those segments. These segments are organized and managed separately according to the nature of the services and products, each forming a separate unit. The operational segments set out below are determined by distinguishing operating segments from which the Company generates revenues and incurs costs. The economic characteristics are reviewed and the operating segments are aggregated on the basis of the assessment made by the Chief Operating Decision Maker at least every quarter and reviewed by senior management. The Company has one operational sector, represented in the production of cement (ordinary cement, in both bulk and packed types, and resistant cement, in both bulk and packed types). The Company is operating its activities in the Kingdom of Saudi Arabia through three basic activities as follows:

| | <u>Jazan factory</u> | <u>Besha factory</u> | <u>Tehama factory</u> | <u>Head office</u> | <u>Total</u> |
|---|----------------------|----------------------|-----------------------|---------------------|----------------------|
| <u>Balance as at 30 september 2022 (unaudited)</u> | | | | | |
| Total non-current assets | <u>219,774,147</u> | <u>990,280,367</u> | <u>1,528,475,728</u> | <u>9,802,262</u> | <u>2,748,332,504</u> |
| <u>For the period 30 September 2022: (Unaudited)</u> | | | | | |
| Revenues | <u>335,361,417</u> | <u>239,298,852</u> | <u>312,580,553</u> | <u>--</u> | <u>887,240,822</u> |
| Cost of revenue | <u>257,889,833</u> | <u>154,749,460</u> | <u>206,400,127</u> | <u>--</u> | <u>619,039,420</u> |
| Profit / (loss) for the period | <u>77,471,584</u> | <u>84,549,392</u> | <u>106,180,426</u> | <u>(29,795,577)</u> | <u>238,405,825</u> |
| <u>As at 31 December 2021 (audited):</u> | | | | | |
| Total non-current assets | <u>198,404,888</u> | <u>1,009,468,624</u> | <u>1,606,814,412</u> | <u>11,625,379</u> | <u>2,826,313,303</u> |
| <u>For the period 30 September 2021 (Unaudited):</u> | | | | | |
| Revenues | <u>295,887,050</u> | <u>315,592,357</u> | <u>399,412,349</u> | <u>--</u> | <u>1,010,891,756</u> |
| Cost of revenue (restated, note 16) | <u>199,525,005</u> | <u>183,763,983</u> | <u>241,598,245</u> | <u>--</u> | <u>624,887,233</u> |
| Profit / (loss) for the period (restated, note 16) | <u>96,362,045</u> | <u>131,828,374</u> | <u>157,814,104</u> | <u>(54,760,380)</u> | <u>331,244,143</u> |

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

As at 30 September 2022

6. PROPERTY, PLANT AND EQUIPMENT

1. For the purposes of preparing the condensed statement of cash flows, the movement in property, plant and equipment during the nine-month period is as follows:

| | 30 September 2022 (Unaudited) | 30 September 2021 (Unaudited) |
|---|--|--|
| Depreciation on property, plant and equipment | 163,660,830 | 152,577,185 |
| Additions of property, plant and equipment | 85,680,031 | 32,579,462 |
| Transfer from projects in progress to property, plant and equipment | 7,543,156 | 440,649 |

2. During the year ended 31 December 2021, the Company's management took a decision to replace the two production lines of Jazan factory and to establish a production line with a production capacity of 10 thousand tons per day, provided that the replacement process would be completed by January 2025. Accordingly, the Company's management reviewed the estimated useful lives of the two production lines of Jizan factory, which led to a change in the estimated useful life of those lines. Accordingly, the useful life of the two production lines has been reduced from 10 years to 4 years to be depreciated over the remaining useful life of those lines. The change in the actual and estimated depreciation expense included in the cost of sales was as follows:

| | <u>2022</u> | <u>Estimated 2023</u> | <u>2024</u> |
|-----------------------------------|-------------|---------------------------|-------------|
| Depreciation before adjustment | 1,213,234 | 1,211,145 | 752,205 |
| Increase in depreciation expenses | 13,116,044 | 12,132,341 | 10,166,901 |

3. Company's property, plant and equipment are not pledged against standing loans as at 30 September 2022 and 31 December 2021.

7. INVENTORIES

Inventories comprise the following:

| | 30 September 2022 (Unaudited) | 31 December 2021 (Audited) |
|---|--|---|
| Spare parts | 277,154,173 | 275,949,509 |
| Production under processing | 364,049,681 | 301,472,223 |
| Raw, filling and packaging materials | 98,236,763 | 54,046,168 |
| | <u>739,440,617</u> | <u>631,467,900</u> |
| Less: Allowance for slow moving inventory items | <u>(55,348,036)</u> | <u>(58,086,438)</u> |
| | <u>684,092,581</u> | <u>573,381,462</u> |

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
As at 30 September 2022

7. INVENTORIES (continued)

Movement in provision for slow-moving inventory items is as follows:

| | 30 September 2022 (Unaudited) | 31 December 2021 (Audited) |
|--|--|---|
| Balance at the beginning of the period/ year | 58,086,438 | 49,886,438 |
| Charge during the period / year | -- | 8,200,000 |
| No longer inventory provision | <u>(2,738,402)</u> | <u>--</u> |
| | <u>55,348,036</u> | <u>58,086,438</u> |

8. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables comprise of the following:

| | 30 September 2022 (Unaudited) | 31 December 2021 (Audited) |
|--------------------------|--|---|
| | <u>Note</u> | |
| Prepayments to suppliers | 25,452,460 | 40,544,604 |
| Prepaid expenses | 2,340,906 | 2,278,092 |
| Other receivables, net | 8.1 <u>8,508,886</u> | <u>7,889,311</u> |
| | <u>36,302,252</u> | <u>50,712,007</u> |

- 8.1 Other debit balances include an amount of SR 7 million deposited with the court for the bin in the name of a citizen in exchange for a plot of land. The Company has appealed against it the appeal was accepted. These amounts have been classified under other receivables until the issuance of final decision from the court.

9. CASH AND CASH EQUIVALENTS

Cash & cash equivalents compromises of following:

| | 30 September 2022 (Unaudited) | 31 December 2021 (Audited) |
|---------------------------|--|---|
| | <u>Note</u> | |
| Cash in hand and at banks | 98,353,717 | 68,597,996 |
| Islamic deposits | 9.1 <u>190,000,000</u> | <u>435,000,000</u> |
| | <u>288,353,717</u> | <u>503,597,996</u> |

- 9.1 Represent deposits placed with local commercial banks and their original maturity periods not exceeding three months from the date of the original maturity.

SOUTHERN PROVINCE CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

As at 30 September 2022

10. BANK FACILITIES

The Company has bank facilities with a local bank with a total amount of SR 772.4 million as at 30 September 2022 (31 December 2021: SR 772.4 million), and the utilized balance of facilities at 30 September 2022 amounted to SR 272,1 million (31 December 2021: SR 328.4 million) to be paid in variable quarterly installments until the end of the year 2025.

Facilitation agreements with banks include certain covenants, which among other things, states that the liquidity ratio should not be less than 1:1 based on the audited annual financial statements, and it also requires maintaining of some ratios and financial indicators.

A breach of these covenants in the future may lead to renegotiation. The management monitors the covenants on a monthly basis, and in case of the existence of a breach that is expected to occur in the future, the management takes the necessary measures to ensure compliance. The Company has fulfilled these covenants as at 30 September 2022.

All banking facilities carry agreed upon commissions according to the commercial rates prevailing in the market.

The facilities are stated in the statement of financial position as follows:

| | 30 September 2022 (Unaudited) | 31 December 2021 (Audited) |
|---|--|---|
| Current portion under current liabilities | 78,750,000 | 75,000,000 |
| Non-current portion under non-current liabilities | 193,397,000 | 253,397,000 |
| | <u>272,147,000</u> | <u>328,397,000</u> |

The financing movement during the period / year is as follows:

| | 30 September 2022 (Unaudited) | 31 December 2021 (Audited) |
|--|--|---|
| Balance at the beginning of the period/ year | 328,397,000 | 398,397,000 |
| Provided during the period/year | (56,250,000) | (70,000,000) |
| | <u>272,147,000</u> | <u>328,397,000</u> |

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11. DIVIDEND PAYABLES

The movement on the dividends payable as follows:

| | 30 September 2022 (Unaudited) | 31 December 2021 (Audited) |
|---|--|---|
| Balance at 1 January | 161,586,672 | 158,620,252 |
| Dividends declared during the period / year | 280,000,000 | 525,000,000 |
| Dividend payments during the period / year | <u>(280,620,785)</u> | <u>(522,033,580)</u> |
| | <u>160,965,887</u> | <u>161,586,672</u> |

On 2 March 2022, the Company's Board of Directors has recommended to distribute cash dividends for the second half of the year 2021 amounting to SR 175 million and 12.5% of the paid-up capital at the rate of SR 1.25 (Second half of 2020: SR 350 million (SR 2.50 per share), which was approved during the forty-ninth ordinary general assembly meeting on 12 April 2022.

On 7 September 2022, the Company's board of directors decided to distribute cash dividends for the first half of the year 2022 in the amount of SR 105 million, at a rate of 7.5% of the paid-in capital, i.e. SR 0.75 (First half of 2021: SR 175 million, or 12.5% of the paid-in capital, i.e. SR 1.25).

12. ZAKAT

a) Charge of the period

| | 30 September 2022 (Unaudited) | 30 September 2021 (Unaudited) |
|-------------------------------|--|--|
| Charged on the current period | (11,916,779) | (9,265,286) |
| | <u>(11,916,779)</u> | <u>(9,265,286)</u> |

b) Provision for zakat

The movement in Zakat payable represented as follows:

| | 30 September 2022 (Unaudited) | 31 December 2021 (Audited) |
|---|--|---|
| Balance at beginning of the period / year | 43,438,517 | 43,813,703 |
| Add: Charge of the period / year | 11,916,779 | 17,109,412 |
| Provision no more required | (24,918,466) | -- |
| Less: Payments during the period / year | <u>(16,929,009)</u> | <u>(17,484,598)</u> |
| Balance at end of the period/year | <u>13,507,821</u> | <u>43,438,517</u> |

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12. ZAKAT (continued)

c) Zakat and tax status

- In 2021, the Company has filed the zakat return and financial statements and paid the zakat due thereon, and obtained a certificate valid until 30 April 2023.
- In the years 2015, 2016 and 2018, the decision of the First Circle to settle income tax violations and disputes in the city of Dammam No. (IZD-2022-724) issued in suit No. (Z-39955-2021) regarding the grievance of the Southern Region Cement Company over the connection Zakat for the years 2015, 2016 and 2018, which was required by the Zakat, Tax and Customs Authority to pay the due zakat in the amount of SR 40,583,829. The decision was in favor of the Company in its main clauses, which led to a decrease in the amount of zakat due for those years to SR 5,243, and the company and the Zakat, Tax and Customs Authority appealed against the decision. In light of the decision of the First Appeals Circuit for Income Tax Violations and Disputes No. (IR-2022-194) issued for the years from 2011 to 2013, according to which the company's point of view was supported, and due to the similarity of the items and the reasons in the main items, a similar decision is expected
- The years 2011 till 2013, the decision of the First Appeals Circuit for Income Tax Violations and Disputes No. (IR-2022-194), issued on the appeal of the Southern Province Cement Company and the Zakat, Tax and Customs Authority on the decision of the First Circuit in the settlement of income tax violations and disputes in Jeddah No. IZJ-2020-141 related to the assessment of zakat and withholding tax for the years from 2011 to 2013, which ZATCA requires to pay zakat differences, withholding tax and delay fines in the amount of SR 45,319,700. The decision came in general in support of the Company's point of view, by accepting the appeal submitted by the Company, and rejecting the appeal of the Zakat, Tax and Customs Authority. Thus, the decision of the First Appeals Circuit and Income Tax Violations and Disputes No. (IR-2022-194) is considered final and enforceable by the Zakat, Tax and Customs Authority, and in light of the decision, the zakat and tax dues on the Company decreased to become overpaid amounts of SR 39,566,720.
- In the years 2019 and 2020, the Company filed the zakat returns, and they were reviewed by the Zakat, Tax and Customs Authority and issued letters of amendment for the years 2019 and 2020 with zakat differences in the amount of SR 573,933, which were paid by the Company

The Company has sufficient allocations to meet any potential zakat obligations that may arise from the final assessments, if any.

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13. EARNINGS PER SHARE (EPS)

a) Basic earnings per share

The calculation of basic earnings per share has been based the distributable earnings attributable to shareholders of ordinary shares and the weighted average number of ordinary shares outstanding at the date of the financial statements.

| | For the three-months period ended | | For the nine-month period ended | |
|--|--------------------------------------|--|------------------------------------|--|
| | 30 September 2022 | 30 September 2021 (Restated, note 16) | 30 September 2022 | 30 September 2021 (Restated, note 16) |
| Profit for the period (SR) | <u>88,616,152</u> | <u>74,120,359</u> | <u>238,405,825</u> | <u>331,244,143</u> |
| Number of shares (weighted average) | <u>140,000,000</u> | <u>140,000,000</u> | <u>140,000,000</u> | <u>140,000,000</u> |
| Basic earnings per share (SR) | <u>0.63</u> | <u>0.53</u> | <u>1.70</u> | <u>2.37</u> |

b) Diluted EPS

The calculation of diluted earnings per share has been based on the profit distributable to shareholders on ordinary shares and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, if any.
During the period there are no factors diluting earnings per share.

14. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

- As at 30 September 2022, the contingent liabilities against issued banking letters of guarantee amounted to SR 64,8 million (30 September 2021: SR 29.8 million).
- As at 30 September 2022, the capital contingencies related to projects in progress amounted to SR 57,6 million (30 September 2021: Nil).
- There are cases against the Company that are still pending before the courts, and neither the Company's management nor its legal advisor expects an expected financial obligation to be paid for these cases at the present time, and accordingly no provisions have been made against these cases.

15. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related party transactions mainly represent transaction with companies related to BOD members, salaries, allowances and bonuses of senior executives.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Directors and shareholders (whether executive or otherwise).

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15. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

| <u>Description</u> | <u>Nature of relationship</u> |
|--|------------------------------------|
| Saudi Chemical Company Limited | A company related to BOD members |
| The Company for Cooperative Insurance (Tawuniya) | A company related to BOD members |
| Company's BOD members | Company's key management personnel |
| Key management and senior executives | Company's key management personnel |

a) The following table shows the balances of related parties, which are recognized in trade payables as on 30 September 2022 and 31 December 2021:

| <u>Transactions with</u> | <u>Nature of transaction</u> | <u>Volume of transactions</u> | | <u>Closing balance</u> | |
|--|------------------------------|-------------------------------|-------------------------|--------------------------|-------------------------|
| | | <u>30 September 2022</u> | <u>31 December 2021</u> | <u>30 September 2022</u> | <u>31 December 2021</u> |
| | | (Unaudited) | (Audited) | (Unaudited) | (Audited) |
| Saudi Chemical Company Limited | Purchases of raw material | 10,999,298 | 13,347,900 | 2,016,813 | 415,265 |
| The Company for Cooperative Insurance (Tawuniya) | Insurance | 4,384,400 | -- | 4,384,400 | -- |

The salaries, wages and related costs benefits for the period ended 30 September 2022 and 31 December 2021 include the following:

| <u>Transactions with</u> | <u>Nature of transaction</u> | <u>30 September 2022</u> | <u>31 December 2021</u> |
|--------------------------|---------------------------------|--------------------------|-------------------------|
| | | (Unaudited) | (Audited) |
| Key management personnel | Salaries, wages and equivalents | 6,482,333 | 6,911,526 |
| BOD members | BOD's remunerations | 1,800,000 | 1,800,000 |

16. CORRECTION OF PRIOR YEARS' ERRORS

During the first quarter of 2022, the Company became aware of an error in calculating the entitlement of the limestone extraction expense, which is due in favor of the Ministry of Industry and Mineral Resources, based on the quantities extracted for the financial year ended 31 December 2021, as well as for the period ended 30 September 2021, as a result of the issuance of an update to the executive regulations of the mining investment, corresponding to 09/05/1442H, which the Company did not implement at the time. Accordingly, the Company's management has re-presented its statements by amending the items of the previous financial statements that were affected by this error in line with the requirements of IAS (8) "Change in Accounting Policies, Change in Accounting Estimates and Accounting Errors".

The following table summarizes the impact on the Company's statement of financial position as at 31 December 2021 and the statement of profit or loss and other comprehensive income and the statement of cash flows for the year ended 30 September 2021:

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16. CORRECTION OF PRIOR YEARS' ERRORS (continued)

| <u>Statement of financial position</u> | <u>As of 31 December 2021</u> | | |
|--|---------------------------------------|--------------------|---------------------------------|
| | <u>Balance as previously reported</u> | <u>Adjustments</u> | <u>Balance after adjustment</u> |
| Accrued expenses and other payables | 92,530,383 | 32,377,321 | 124,907,704 |
| Total current liabilities | 425,966,541 | 32,377,321 | 458,343,862 |
| Total liabilities | 797,228,029 | 32,377,321 | 829,605,350 |
| Retained earnings | 1,107,491,974 | (32,377,321) | 1,075,114,653 |
| Total shareholders' equity | 3,207,491,974 | (32,377,321) | 3,175,114,653 |

For the nine-month period ended 30 September 2021

| CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | <u>Balance as previously reported</u> | <u>Adjustments</u> | <u>Balance after adjustment</u> |
|---|---------------------------------------|--------------------|---------------------------------|
| Cost of revenue | 602,693,452 | 22,193,781 | 624,887,233 |
| Gross profit | 408,198,304 | (22,193,781) | 386,004,523 |
| Operating income | 360,688,679 | (22,193,781) | 338,494,898 |
| Profit before Zakat | 362,703,210 | (22,193,781) | 340,509,429 |
| Profit for the period | 353,437,924 | (22,193,781) | 331,244,143 |
| Total comprehensive income | 353,437,924 | (22,193,781) | 331,244,143 |
| <u>Earnings per share to net income for the period (SR):</u> | <u>2.52</u> | | <u>2.37</u> |

For the three-month period ended 30 September 2021

| Condensed statement of profit or loss and other comprehensive income | <u>Balance as previously reported</u> | <u>Adjustments</u> | <u>Balance after adjustment</u> |
|---|---------------------------------------|--------------------|---------------------------------|
| Cost of revenue | 176,340,952 | 9,300,638 | 185,641,590 |
| Gross profit | 107,881,535 | (9,300,638) | 98,580,897 |
| Operating income | 85,933,877 | (9,300,638) | 76,633,239 |
| Profit before Zakat | 85,559,996 | (9,300,638) | 76,259,358 |
| Profit for the period | 83,420,997 | (9,300,638) | 74,120,359 |
| Total comprehensive income | 83,420,997 | (9,300,638) | 74,120,359 |
| <u>Earnings per share to net income for the period (SR):</u> | <u>0.60</u> | | <u>0.53</u> |

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16. CORRECTION OF PRIOR YEARS' ERRORS (continued)

| CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED) | <u>For the nine-month period ended 30 September 2021</u> | | |
|---|---|---------------------------|--|
| | <u>Balance as previously reported</u> | <u>Adjustments</u> | <u>Balance after adjustment</u> |
| <u>Operating activities:</u> | | | |
| Profit for the period before Zakat | 362,703,210 | (22,193,781) | 340,509,429 |
| <u>Change in working capital:</u> | | | |
| Accrued expenses and accounts payable | (40,232,124) | 22,193,781 | (18,038,343) |
| | | | |
| Condensed statement of changes in equity (unaudited) | <u>For the nine-month period ended 30 September 2021</u> | | |
| | <u>Balance as previously reported</u> | <u>Adjustments</u> | <u>Balance after adjustment</u> |
| Retained earnings | 1,008,150,695 | (22,193,781) | 985,956,914 |
| Total equity | 3,108,150,695 | (22,193,781) | 3,085,956,914 |
| | | | |
| Basic EPS (unaudited) | <u>For the nine-month period ended 30 September 2021</u> | | |
| | <u>Balance as previously reported</u> | <u>Adjustments</u> | <u>Balance after adjustment</u> |
| Basic | 2.52 | (0.15) | 2.37 |
| Diluted | 2.52 | (0.15) | 2.37 |

17. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The condensed interim financial statements were authorized for issue by the Audit Committee on 2 November 2022, corresponding to 8 Rabi Al Thani 1444H.