

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED
MARCH 31, 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 MONTHS PERIOD ENDED MARCH 31, 2022

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

The Shareholders
Eastern Province Cement Company
(A Saudi Joint Stock Company)
Dammam, Kingdom of Saudi Arabia

(1/1)

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 of March 31, 2022 and the interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-months 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)", as 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 Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as endorsed in the Kingdom of Saudi Arabia. A review of the 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, as 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, as endorsed in the Kingdom of Saudi Arabia.

Other Matter

The Company's condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period ended on March 31, 2021, have been reviewed by another auditor, who issued an unqualified review report on May 2, 2021.

Al Bassam & Co.

P.O. Box 4636

Al Khobar 31952

Kingdom of Saudi Arabia



Ibrahim Ahmed Al Bassam

Certified Public Accountant

License No. 337

Shawwal 15, 1443H

May 16, 2022

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2022
(ALL AMOUNT IN THOUSANDS SAUDI RIYALS UNLESS OTHERWISE STATED)

	Note	March 31, 2022 (Un-audited) SR	December 31, 2021 (Audited) SR
ASSETS			
Non-current assets			
Property, plant and equipment	3	769,218	758,176
Intangible assets		1,121	1,219
Investment properties		91,041	91,448
Right-of-use assets		5,736	5,518
Investments at fair value through OCI	4	590,537	589,731
Investments in an associate	5	215,852	213,424
Prepayments and other assets - non current	7	7,896	8,036
		<u>1,681,401</u>	<u>1,667,552</u>
Current assets			
Inventories, net		504,410	466,021
Trade and retention receivables, net	6	248,323	208,925
Prepayments and other assets - current, net	7	44,986	36,931
Investment at fair value through profit or loss	8	320,527	-
Cash and cash equivalents		79,883	402,279
		<u>1,198,129</u>	<u>1,114,156</u>
TOTAL ASSETS		<u>2,879,530</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		439,808	488,951
Reserve of valuation of equity investments carried at FVOCI		248,482	242,943
Actuarial reserves		(12,855)	(14,778)
		<u>2,370,074</u>	<u>2,411,755</u>
LIABILITIES			
Non- current liabilities			
Employees' end of service benefits		84,472	85,820
Other provisions		34,577	34,380
Lease liabilities – non-current		3,932	4,191
		<u>122,981</u>	<u>124,391</u>
Current liabilities			
Accounts payable and other liabilities	10	196,203	149,879
Due to a related parties	11	617	2,301
Dividends payables		154,477	60,016
Lease liabilities – current		1,901	1,385
Zakat provision	12	33,277	31,981
		<u>386,475</u>	<u>245,562</u>
TOTAL LIABILITIES		<u>509,456</u>	<u>369,953</u>
TOTAL EQUITY AND LIABILITIES		<u>2,879,530</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 MONTHS PERIOD ENDED MARCH 31, 2022
(ALL AMOUNT IN THOUSANDS SAUDI RIYALS UNLESS OTHERWISE STATED)

		For the three months' period ended March 31, 2022 (Un-audited) SR	For the three months' period ended March 31, 2021 (Un-audited) SR
	Note		
Revenue, net	13	160,743	216,694
Cost of revenue		(114,744)	(143,191)
Gross profit		45,999	73,503
General and administrative expenses		(11,977)	(12,187)
Selling and marketing expenses		(2,459)	(2,669)
Operating profit		31,563	58,647
Dividends and murabaha income		1,395	1,856
Share of profit in an associate	5	2,428	6,703
Unrealized gain on investments at fair value through profit or loss	8	430	-
Other income		1,872	2,028
Other expense		(1,237)	(1,540)
Finance charges		(934)	(686)
Gains / (losses) on exchange of foreign currency		294	(608)
Losses on disposal of property, plant and equipment		(375)	(220)
Profit before zakat		35,436	66,180
Zakat expenses	12	(6,450)	(6,300)
Profit for the period		28,986	59,880
Other Comprehensive income:			
<i>Items that will not be reclassified to statement of profit or loss</i>			
Employees' end of service and loans re-measurement		1,923	2,111
Unrealized gain from investments at fair value through OCI		22,010	13,504
Other comprehensive income for the period		23,933	15,615
Total comprehensive income		52,919	75,495
Basic and diluted earnings per share	14	0.34	0.70

Finance Manager

Chief Executive Officer

Authorized Board Member

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EASTERN PROVINCE CEMENT COMPANY
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CONDENSED INTERIM STATEMENT OF CHANGE IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022
(ALL AMOUNT IN THOUSANDS SAUDI RIYALS UNLESS OTHERWISE STATED)

	Share capital	Statutory reserve	Voluntary reserve	Retained earnings	Reserve of valuation of equity investments carried at FVOCI	Actuarial reserves	Total equity
	SR	SR	SR	SR	SR	SR	SR
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	-	-	-	59,880	-	-	59,880
Other comprehensive income	-	-	-	-	13,504	2,111	15,615
Balance as at March 31, 2021 (Un-audited)	860,000	430,000	404,639	683,316	243,412	(12,384)	2,608,983
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	-	-	-	28,986	-	-	28,986
Other comprehensive income	-	-	-	-	22,010	1,923	23,933
Realized gain transferred to retained earnings (Note 4-C)	-	-	-	16,471	(16,471)	-	-
Dividends (Note 18)	-	-	-	(94,600)	-	-	(94,600)
Balance as at March 31, 2022 (Un-audited)	860,000	430,000	404,639	439,808	248,482	(12,855)	2,370,074


Finance Manager


Chief Executive Officer


Authorized Board Member

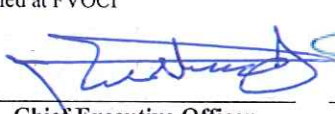
The accompanying notes 1 through 20 form an integral part of these condensed interim financial statements.

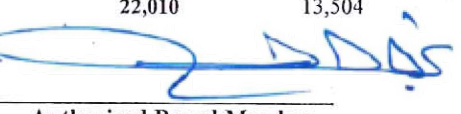
EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022
(ALL AMOUNT IN THOUSANDS SAUDI RIYALS UNLESS OTHERWISE STATED)

	For the three months' period ended March 31, 2022 (Un-audited) SR	For the three months' period ended March 31, 2021 (Un-audited) SR
<u>Cash flows from operating activities:</u>		
Profit before zakat	35,436	66,180
Adjustments for:		
Depreciation of property, plant and equipment and intangible assets amortization	25,317	23,542
loss on disposal of property, plant and equipment	375	220
Dividend and murabaha income	(1,395)	(1,856)
Unrealized gain on investments at fair value through profit or loss	(430)	-
Depreciation of investment properties	407	407
Amortization of Right-of-use asset	347	85
Provision for slow moving spare parts inventory	500	105
Finance charges	934	686
Share of profit in an associate	(2,428)	(6,703)
Employees' end of service benefits	2,294	2,229
	<u>61,357</u>	<u>84,895</u>
Movement in working capital		
Trade and retention receivable, prepayments and other assets	(47,313)	(36,048)
Inventories	(38,889)	7,277
Trade and other liabilities	46,324	(4,964)
Due to related parties	(1,684)	(91)
Employees' end of service benefits paid	(1,664)	(910)
Zakat paid	(5,154)	(352)
Finance charges paid	(934)	(686)
Net cash generated from operating activities	<u>12,043</u>	<u>49,121</u>
<u>Cash flows from investing activities:</u>		
Additions to property, plant and equipment	(36,636)	(12,324)
Acquisition of investments at fair value through profit or loss	(320,097)	-
Proceeds from dividend income and interest on murabaha deposits	1,395	1,799
Proceeds from selling of investments at fair value through OCI	21,204	-
Net cash used in investing activities	<u>(334,134)</u>	<u>(10,525)</u>
<u>Cash flows from financing activities:</u>		
Dividends paid	(139)	(290)
Repayment of lease liabilities	(166)	(85)
Net cash used in financing activities	<u>(305)</u>	<u>(375)</u>
Net change in cash and cash equivalents	<u>(322,396)</u>	<u>38,221</u>
Cash and cash equivalent at the beginning of the period	402,279	528,641
Cash and cash equivalents at the end of the period	<u>79,883</u>	<u>566,862</u>
<u>Non-cash transactions</u>		
Additions to Right-of-use asset against lease liabilities	565	-
Employees' end of service re-measurement	1,923	2,111
Unrealized gain on equity instruments carried at FVOCI	22,010	13,504


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)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022
(ALL AMOUNT IN THOUSANDS SAUDI RIYALS UNLESS OTHERWISE STATED)

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-khorasania 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 March 31, 2022 include the financial statements of the Company and its following branches:

<u>Branch Commercial Registration No.</u>	<u>Date</u>	<u>Place of Issue</u>	<u>Commercial Name of the Branch</u>
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 March 31, 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 months period ended March 31, 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 MONTHS PERIOD ENDED MARCH 31, 2022
(ALL AMOUNT IN THOUSANDS SAUDI RIYALS UNLESS OTHERWISE STATED)

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 Standards and amendments issued and applied effective January 1, 2022

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.

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%' 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 which 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.

EASTERN PROVINCE CEMENT COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022
(ALL AMOUNT IN THOUSANDS SAUDI RIYALS UNLESS OTHERWISE STATED)

2. BASIS OF PREPARATION (Continued)

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

The Company has not early 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 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) that 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 a 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 definition of accounting estimate	January 1, 2023	This amendments regarding the definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding 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 resulting from the loss of control of a subsidiary.

Management anticipates that these new 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 year of initial application.

EASTERN PROVINCE CEMENT COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022
(ALL AMOUNT IN THOUSANDS SAUDI RIYALS UNLESS OTHERWISE STATED)

3. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

During the three months' period ended 31 March 2022, the Company acquired assets with a purchase cost of SR 28,000,000. This amount represent the consideration paid by the Company as per sale agreement dated 29 December 2021 against all factory's 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.

4. INVESTMENTS AT FAIR VALUE THROUGH OCI

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

		March 31, 2022		December 31, 2021	
		(Un-audited)		(Audited)	
	Note	Number of shares (in thousands)	Amount SR	Number of shares (in thousands)	Amount SR
Saudi Industrial Investment Company	4-A-1	1,700	59,500	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	1,774	76,462	1,774	63,511
			590,537		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 0.38% equity shares of the Company. The share price of the investee Company as of March 31, 2022 was SR 35 per share (December 31, 2021: SR 31.15 per share).

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.

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 March 31, 2022 was SR 43.1 per share (December 31, 2021: SR 35.80 per share). During the Q1 2022, the Company received dividends from Aramco by an amounts of SR 0.624.

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

	March 31, 2022	December 31, 2021
	(Un-audited)	(Audited)
Quoted:	SR	SR
Saudi Industrial Investment Company*	59,500	71,645
Saudi Arabian Oil Company (Aramco)	76,462	63,511
	135,962	135,156
Unquoted:		
Industrialization and Energy Services Company	454,575	454,575
	590,537	589,731

* During the period the Company sold 600 shares of its investment in the Saudi Industrial Investment Company for SR 21,204, which resulted in a realized profit during the period amounting to SR 16,471, which had been transferred from the reserve of valuation of equity instruments carried at FVOCI to retained earnings.

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

	March 31, 2022	December 31, 2021
	(Un-audited)	(Audited)
	SR	SR
Opening balance	242,943	229,908
Unrealized gain from investments at fair value through OCI	22,010	13,035
Realized gain transferred to retained earnings	(16,471)	-
Closing balance	248,482	242,943

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022
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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 is as follows:

	March 31, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR	SR
Opening balance	280,420	266,014
Share of profit for the during period / year	2,428	20,505
Dividends	-	(6,099)
	282,848	280,420
Less: impairment of investment	(66,996)	(66,996)
Closing balance	215,852	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

	March 31, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR	SR
Trade receivables	277,614	239,920
Less: Allowance for impairment of trade receivables	(35,259)	(35,259)
	242,355	204,661
Retention receivables	32,413	30,709
Less: Allowance for impairment of retention receivables	(26,445)	(26,445)
	5,968	4,264
	248,323	208,925

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

	March 31, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR	SR
Opening balance	61,704	61,704
Allowance for the period / year	-	-
Closing balance	61,704	61,704

EASTERN PROVINCE CEMENT COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022
(ALL AMOUNT IN THOUSANDS SAUDI RIYALS UNLESS OTHERWISE STATED)

7. PREPAYMENTS AND OTHER ASSETS, NET

	March 31, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR	SR
Advances to suppliers	19,859	9,605
Employee loans - A	12,327	12,263
Deferred cost – B	10,236	10,236
Prepaid expenses	6,600	8,900
Accrued interest	-	224
Other receivables - C	5,222	5,101
	54,244	46,329
Less: Allowance for impairment of prepayment and other assets	(1,362)	(1,362)
	52,882	44,967
Less: non-current portion of employee loans	(7,896)	(8,036)
	44,986	36,931

- A- Employee loan's fair value have been measured by actuarial valuation while resulted in debit charge to other comprehensive income by the amounts of SR 55.
- 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 amounting of SR 30 (December 31, 2021: SR 220).

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 institution amounting to SR 320,527.

The Company has irrevocably chosen to classify its 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

	March 31, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR	SR
Trade payables	86,793	62,038
Accrued expenses	60,579	49,174
Advances from customers	17,952	13,931
Deferred revenues – A	10,593	10,593
Retention payable	6,073	5,647
Unearned revenues	4,516	4,180
VAT payable	3,435	4,137
Other current liabilities	6,262	179
	196,203	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.

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>	<u>Three months period ended March 31, 2022 (Un-audited)</u>	<u>Three months period ended March 31, 2021 (Un-audited)</u>
		<u>SR</u>	<u>SR</u>
Arabian Yemeni Cement Company	Payments to members of the Board of Directors of the Yemeni Company	1,994	-
	Payments to Yemeni Company suppliers	2,212	92
	Deposits from the Company	(3,769)	-
Al-Dawaa Medical Services Company	Rent revenue	425	425
Walaa Cooperative Insurance Company	Services received	429	-

A) Balances payable to related parties are as follows:

	<u>March 31, 2022 (Un-audited)</u>	<u>December 31, 2021 (Audited)</u>
	<u>SR</u>	<u>SR</u>
Walaa Cooperative Insurance Company	509	1,756
Arabian Yemeni Cement Company	108	545
	<u>617</u>	<u>2,301</u>

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

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12. ZAKAT PROVISION

Movement of zakat provision

	March 31, 2022 (Un-audited)	December 31, 2021 (Audited)
	SR	SR
The balance at the beginning of the period / year	31,981	23,809
Zakat charge	6,450	34,226
Paid for the period / year	-	(22,502)
Payment specific to zakat assessment	(5,154)	(3,552)
The balance at the end of the period / year	33,277	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 certificate.

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, and paid an amount of SR 3.2 million from the due amounts of the zakat assessment. In addition, during Q1 2022, the Company settled and paid the remaining amounts of the assessments by an amounts of SR 5.2 million.

13. SEGMENTAL REPORTING

The Company has the segregated the operations into two main reporting segments, these reporting segment 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

As of March 31, 2022 (Un-audited)

	Cement	Precast	Intersegment adjustments SR	Total
Total assets	2,639,936	261,492	(21,898)	2,879,530
Total liabilities	454,725	96,129	(41,398)	509,456

For the three months period ended March 31, 2022 (Un-audited)

Revenue, net	126,492	34,251	-	160,743
Net profit	29,456	(470)	-	28,986

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

For the three months period ended March 31, 2021 (Un-audited)

Revenue, net	188,050	29,947	(1,303)	216,694
Net profit	59,329	551	-	59,880

The revenue according to the geographical areas is as follows:

	March 31, 2022 (Un-audited)	March 31, 2021 (Un-audited)
	SR	SR
Saudi Arabia	159,612	212,978
Other countries	1,131	3,716
	160,743	216,694

Revenues from three major customers of the Company's Cement segment was SR 83 million represented approximately 53% of the Company'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	
	March 31, 2022 (Un-audited)	March 31, 2021 (Un-audited)
Net profit for the period (in thousands of SR)	28,986	59,880
Number of outstanding shares (in thousands of shares)	86,000	86,000
Basic and diluted earnings per share (SR)	0.34	0.70

15. CAPITAL COMMITMENTS

The approved future capital projects as of March 31, 2022 by the company's management amounted 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 and the period ending on March 31, 2022 by the amounts of SR 16.8 and SR 5.7, respectively. 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 March 31, 2022.

17. CONTINGENT LIABILITIES

As of March, 31, 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 SAR 94.6 million for second half of the fiscal year 2021, the dividend per share is SAR 1.10, the number of shares eligible for dividends is 86 million shares, the eligibility of dividend will be to shareholders who own the Company shares on the end trading day of April 11, 2022 whom registered in the Company's register at Securities Depository Center Company (Edaa) by the end of the second trading day following the due date, the distribution date is April 26, 2022.

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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 taken as a value for the assets or liabilities, either directly or indirectly.
- Level 3: inputs for assets and liabilities that are not based on observable market information.

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.

Investments in unquoted investment funds in the Saudi market are valued according 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		
	SR	Level-1	Level-2	Level -3
		SR	SR	SR
As of March 31, 2022 (Un-audited)				
Investments in equity instruments through OCI	590,537	135,962	-	454,575
Investments at fair value through profit or loss	320,527	-	320,527	-
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 May 16, 2022.