

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED
MARCH 31, 2023
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, 2023

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PKF

Ibrahim Ahmed Al-Bassam & Co.

Certified Public Accountants
(Member of PKF International)

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 March 31, 2023 and the related condensed interim statement of profit or loss and other comprehensive income, and the related condensed interim statements of changes in equity and cash flows for the three 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.

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EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2023

		March 31, 2023	December 31, 2022
	Note	(Un-audited)	(Audited)
		SR 000	SR 000
ASSETS			
Non-current assets			
Property, plant and equipment		754,291	762,090
Intangible assets		940	1,013
Investment properties		89,409	89,816
Right-of-use assets		6,843	7,148
Investments at fair value through OCI	3	648,527	642,020
Investment in an associate	4	197,518	200,434
Prepayments and other assets - non current	6	12,090	11,284
		<u>1,709,618</u>	<u>1,713,805</u>
Current assets			
Inventories, net		604,663	578,601
Trade and retention receivables, net	5	312,567	298,427
Prepayments and other assets - current, net	6	37,172	39,690
Murabaha deposits	7	80,000	130,000
Cash and cash equivalents		140,493	90,827
		<u>1,174,895</u>	<u>1,137,545</u>
TOTAL ASSETS		<u>2,884,513</u>	<u>2,851,350</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	8	860,000	860,000
Statutory reserve		430,000	430,000
Voluntary reserve		404,639	404,639
Retained earnings		444,853	475,280
Reserve of valuation of equity investments carried at FVOCI	3	211,205	204,698
Actuarial reserves		(17,237)	(14,894)
		<u>2,333,460</u>	<u>2,359,723</u>
LIABILITIES			
Non- current liabilities			
Employees' end of service benefits		94,435	89,778
Other provisions		35,371	35,169
Lease liabilities – non-current		4,899	5,410
		<u>134,705</u>	<u>130,357</u>
Current liabilities			
Accounts payable and other liabilities	9	230,185	265,542
Due to related parties	10	2,644	5,207
Dividends payables		146,696	60,789
Lease liabilities – current		2,149	1,808
Zakat provision	11	34,674	27,924
		<u>416,348</u>	<u>361,270</u>
TOTAL LIABILITIES		<u>551,053</u>	<u>491,627</u>
TOTAL EQUITY AND LIABILITIES		<u>2,884,513</u>	<u>2,851,350</u>
CONTINGENCIES AND COMMITMENTS	16&17	-	-



Finance Manager



Chief Executive Officer



Authorized Board Member

The accompanying notes 1 through 21 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, 2023**

	Note	For The Three Months Period Ended	
		March 31, 2023	March 31, 2022
		(Un-audited)	(Un-audited) (Restated –Note 20)
		SR 000	SR 000
Revenue, net	12	236,637	160,743
Cost of revenue	13	(158,147)	(117,409)
Gross profit		78,490	43,334
General and administrative expenses		(12,975)	(11,977)
Selling and marketing expenses		(2,383)	(2,459)
Operating profit		63,132	28,898
Dividends and murabaha income		2,443	1,395
Share of (loss) / profit in an associate	4	(2,916)	2,428
Unrealized gain on investments at fair value through profit or loss		-	430
Other income		4,951	1,872
Other expense		(4,160)	(1,237)
Finance charges		(1,183)	(934)
Gain on exchange of foreign currency		47	294
Gain / (loss) on disposal of property, plant and equipment		9	(375)
Profit before zakat		62,323	32,771
Zakat expenses	11	(6,750)	(6,450)
Profit for the period		55,573	26,321
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		(2,343)	1,923
Unrealized gain from investments at fair value through OCI		6,507	22,010
Other comprehensive income for the period		4,164	23,933
Total comprehensive income for the period		59,737	50,254
Earnings per share – Basic and diluted	15		
Earnings per share of profit for the period		0.65	0.31
Earnings per share of total comprehensive income for the period		0.69	0.58


Finance Manager


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Authorized Board Member

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EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM STATEMENT OF CHANGE IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023**

	Share capital SR 000	Statutory reserve SR 000	Voluntary reserve SR 000	Retained earnings SR 000	Reserve of valuation of equity instruments carried at FVOCI SR 000	Actuarial reserves SR 000	Total equity SR 000
Balance as at January 1, 2022 as previously reported	860,000	430,000	404,639	488,951	242,943	(14,778)	2,411,755
Impact of correction of previous years errors (Note 20)	-	-	-	(9,494)	-	-	(9,494)
Balance at January 1, 2022 (restated)	860,000	430,000	404,639	479,457	242,943	(14,778)	2,402,261
Net profit for the period (restated – Note 20)	-	-	-	26,321	-	-	26,321
Other comprehensive income for the period	-	-	-	-	22,010	1,923	23,933
Realized gain transferred to retained earnings (Note 3-A)	-	-	-	16,471	(16,471)	-	-
Total comprehensive income for the period (restated – Note 20)	-	-	-	42,792	5,539	1,923	50,254
Dividends (note 18)	-	-	-	(94,600)	-	-	(94,600)
Balance as at March 31, 2022 (Un-audited)	860,000	430,000	404,639	427,649	248,482	(12,855)	2,357,915
Balance as at January 1, 2023 (Audited)	860,000	430,000	404,639	475,280	204,698	(14,894)	2,359,723
Net profit for the period	-	-	-	55,573	-	-	55,573
Other comprehensive income for the period	-	-	-	-	6,507	(2,343)	4,164
Total comprehensive income for the period	-	-	-	55,573	6,507	(2,343)	59,737
Dividends (note 18)	-	-	-	(86,000)	-	-	(86,000)
Balance as at March 31, 2023 (Un-audited)	860,000	430,000	404,639	444,853	211,205	(17,237)	2,333,460

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 THREE MONTHS PERIOD ENDED MARCH 31, 2023

	March 31, 2023	March 31, 2022
	(Un-audited)	(Un-audited)
	SR 000	SR 000
<u>Cash flows from operating activities:</u>		
Profit before zakat	62,323	32,771
Adjustments for:		
Depreciation of property, plant and equipment and intangible assets amortization	25,484	25,317
(Gain) / loss on disposal of property, plant and equipment	(9)	375
Dividend and murabaha income	(2,443)	(1,395)
Unrealized gain on investments at fair value through profit or loss	-	(430)
Depreciation of investment properties	407	407
Amortization of Right-of-use asset	483	347
Reversal of allowance for impairment of trade and retention receivables	(1,592)	-
Provision for slow moving spare parts inventory	900	500
Finance charges	1,183	934
Share of loss / (profit) in an associate	2,916	(2,428)
Employees' end of service benefits	2,680	2,294
	92,332	58,692
Movement in working capital		
Trade and retention receivable, prepayments and other assets	(11,951)	(47,313)
Inventories	(32,608)	(44,487)
Trade and other liabilities	(35,357)	49,192
Due to related parties	(2,563)	(1,684)
Employees' end of service benefits paid	(363)	(1,664)
Zakat paid	-	(5,154)
Finance charges paid	(573)	(934)
Net cash generated from operating activities	8,917	6,648
<u>Cash flows from investing activities:</u>		
Additions to property, plant and equipment	(11,973)	(31,241)
Proceeds from selling of property, plant and equipment	16	-
Acquisition of investments at fair value through profit or loss	-	(320,097)
Acquisition / liquidation of murabaha deposit	50,000	-
Proceeds from dividend income and interest on murabaha deposits	3,147	1,395
Proceeds from selling of investments at fair value through OCI	-	21,204
Net cash generated from / (used in) from investing activities	41,190	(328,739)
<u>Cash flows from financing activities:</u>		
Dividends paid	(93)	(139)
Repayment of lease liabilities	(348)	(166)
Net cash used in financing activities	(441)	(305)
Net change in cash and cash equivalents	49,666	(322,396)
Cash and cash equivalent at the beginning of the period	90,827	402,279
Cash and cash equivalents at the end of the period	140,493	79,883
<u>Non-cash transactions</u>		
Additions to right-of-use asset against lease liabilities	178	565
Capitalized spare parts	5,646	5,395
Additions to property, plant and equipment through capital work-in-progress	13,185	2,742
Employees' end of service and employee loans re-measurement	(2,343)	1,923
Unrealized gain from investments at fair value through OCI	6,507	22,010

Finance Manager

Chief Executive Officer

Authorized Board Member

The accompanying notes 1 through 21 form an integral part of these condensed interim financial statements.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023**

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 and 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 valid till December 31, 2035.

The condensed interim financial statements of the Company as at March 31, 2023 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 December 11, 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, 2023.

- B- The main activities of the branch are in the operation of quarries, mining of gypsum and anhydrite, wholesale of cement and Gypsum. 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).

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

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, 2023 have been prepared in accordance with the requirements of International Accounting Standard 34 - "Interim Financial Reporting" that are endorsed in the kingdom of Saudi Arabia and other standards and pronouncement that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and should be read in conjunction with the Company's latest annual financial statements for the year ended December 31, 2022 ("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, 2023

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 2023

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

2. BASIS OF PREPARATION (Continued)

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

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

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 16	Lease liability in sale and lease back.	January 1, 2024	The amendments require seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains.
IAS 1	Amendments regarding the classification of debt with covenants	January 1, 2024	The amendments clarified how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances.
IAS 1	Presentation of financial statements: classification of liabilities.	January 1, 2024	The amendment has clarified that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period and non-current liabilities with covenants.

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

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

3. INVESTMENTS AT FAIR VALUE THROUGH OCI

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

		March 31, 2023		December 31, 2022	
		(Un-audited)		(Audited)	
	Note	Number of shares (in thousands)	Amount SR 000	Number of shares (in thousands)	Amount SR 000
Saudi Industrial Investment Company	3-A-1	1,100	27,478	1,100	24,178
Industrialization and Energy Services Company	3-A-2	27,187	459,197	27,187	459,197
Saudi Arabian Oil Company (Aramco)	3-A-3	1,951	63,032	1,951	62,642
			549,707		546,017
Discretionary Portfolio Management (DPM) Investments	3-A-4		98,820		96,003
			648,527		642,020

3-A-1 The Saudi Industrial Investment Company (a Saudi joint stock company listed on the financial market) (Tadawul) whereby the Company owns 0.15% of the equity shares of the Company (December 31, 2022: 0.15% of the equity shares). The share price of the investee Company as of March 31, 2023 was SR 24.98 per share (December 31, 2022: SR 21.98 per share).

During the period ended of March 31, 2022, the Company sold 600,000 shares of its investment in the Saudi Industrial Investment Company for SR 21,204 million, which resulted in a realized profit during the period amounting to SR 16,471 million, which had been transferred from the reserve of valuation of equity instruments carried at FVOCI to retained earnings. And during the following periods for the year 2022, the Company sold another 600,000 shares of its investment in the Saudi Industrial Investment Company for SR 21,385 million, which resulted in a realized profit during these periods amounting to SR 16,652 million, which had been transferred from the reserve of valuation of equity instruments carried at FVOCI to retained earnings to have total sales proceeds amounting to SR 42,589 million and a realized profit during the year of 2022 amounting to SR 33,123 million.

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

3-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, 2023 was SR 32.3 (December 31, 2022: SR 32.1 per share). During the period, the Company received dividends from Aramco by an amounts of SR 0.649 million.

In addition, during the year of 2022 Aramco issued bonus shares for the shareholders at the rate of one share to each 10 owned shares by the shareholders.

3-A-4 During the year ended December 31, 2022, the 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. DPM investments include cash amounting to SR 0.9 million as of March 31, 2023 (December 31, 2022: SR 0.5 million).

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

	March 31, 2023	December 31, 2022
	(Un-audited)	(Audited)
Quoted:	SR 000	SR 000
Saudi Industrial Investment Company	27,478	24,178
Saudi Arabian Oil Company (Aramco)	63,032	62,642
From Discretionary Portfolio Management Investments	79,030	75,145
	169,540	161,965
Unquoted:		
Industrialization and Energy Services Company	459,197	459,197
From Discretionary Portfolio Management Investments	19,790	20,858
	478,987	480,055
	648,527	642,020

EASTERN PROVINCE CEMENT COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

3. INVESTMENTS AT FAIR VALUE THROUGH OCI (Continued)

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

	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
Opening balance	SR 000	SR 000
Change in fair value	642,020	589,731
Additions	6,507	(5,122)
Disposals	-	100,000
	-	(42,589)
Closing balance	648,527	642,020

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

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

	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
Opening balance	SR 000	SR 000
Unrealized gain / (loss) from investments at fair value through OCI	204,698	242,943
Realized gain transferred to retained earnings	6,507	(5,122)
	-	(33,123)
Closing balance	211,205	204,698

4. 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:

	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
Opening balance	SR 000	SR 000
Share of (loss) / profit for the during period / year	281,070	280,420
	(2,916)	650
	278,154	281,070
Less: impairment of investment	(80,636)	(80,636)
Closing balance	197,518	200,434

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

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

	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
Opening balance	SR	SR
Additional impairment of the investment	80,636	66,996
	-	13,640
Closing balance	80,636	80,636

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

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

5. TRADE AND RETENTION RECEIVABLES, NET

	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR 000	SR 000
Trade receivables	320,808	307,641
Less: Allowance for impairment of trade receivables	(32,915)	(34,094)
	287,893	273,547
Retention receivables	36,200	36,819
Less: Allowance for impairment of retention receivables	(11,526)	(11,939)
	24,674	24,880
	312,567	298,427

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

	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR 000	SR 000
Opening balance	46,033	61,704
Reversal of provision during the period / year*	(1,592)	(15,671)
Closing balance	44,441	46,033

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

6. PREPAYMENTS AND OTHER ASSETS, NET

	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR 000	SR 000
Employee loans - A	15,877	14,668
Advances to suppliers	14,594	14,185
Prepaid expenses	8,235	9,952
Deferred contract cost	6,354	6,738
Accrued interest	411	1,115
Other receivables – B	5,153	5,678
	50,624	52,336
Less: Allowance for impairment of prepayment and other assets	(1,362)	(1,362)
	49,262	50,974
Less: non-current portion of employee loans	(12,090)	(11,284)
	37,172	39,690

A- Employee loan's fair value have been measured by actuarial valuation while resulted in credit charge to other comprehensive income by the amounts of SR 3 thousands.

B- Other receivables include a balance due from a related party "Al-Dawaa Medical Services Company" by an amounts of SR 84 thousands (December 31, 2022: SR 320 thousands) (Note 10).

7. MURABAHA DEPOSITS

The Company invests part of its cash surplus in murabaha deposits with a maturity period of more than three months with financial institutions. The average annual commission rates on these deposits during the period amounting to 5.6%.

8. 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, 2022: SR 860 million divided into 86 million shares) of SR 10 per share.

EASTERN PROVINCE CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

9. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR 000	SR 000
Trade payables	112,878	95,654
Advances from customers	48,807	47,506
Accrued expenses	48,705	100,215
Retention payable	6,481	6,934
VAT payable	5,135	4,897
Unearned revenues	5,035	4,907
Accrued contract cost – A	1,439	1,120
Accrued board of directors remuneration	1,008	4,030
Other current liabilities	697	279
	230,185	265,542

A- Accrued contract cost represent the stock produced and invoiced but not yet transferred to the customers.

10. RELATED PARTIES BALANCES AND TRANSACTIONS

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

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:

Related party	Nature of transaction	Three months period ended	
		March 31, 2023 (Un-audited)	March 31, 2022 (Un-audited)
		SR 000	SR 000
Arabian Yemeni Cement Company	Payments to members of the Board of Directors of the Yemeni Company	739	1,994
	Payments to Yemeni Company suppliers	695	2,212
	Deposits from the Company	-	(3,769)
Al-Dawaa Medical Services Company	Rent revenue	724	425
Walaa Cooperative Insurance Company	Services received	453	429

A) Balances payable to related parties are as follows:

	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR 000	SR 000
Arabian Yemeni Cement Company	1,914	3,347
Walaa Cooperative Insurance Company	730	1,860
	2,644	5,207

EASTERN PROVINCE CEMENT COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

10. RELATED PARTIES BALANCES AND TRANSACTIONS (Continued)

B) Other receivables as at March 31, 2023 included a balance due from Al-Dawaa Medical Services Company amounted to SR 84 thousand (December 31, 2022: SR 320 thousand).

C) Remuneration of directors and key management personnel

	March 31, 2023 (Un-audited)		March 31, 2022 (Un-audited)	
	Directors	Key management personnel	Directors	Key management personnel
	SR 000		SR 000	
Board of directors remuneration	1,008	-	-	-
Salaries and wages and Allowances	69	3,422	46	3,106
End of service expenses	-	423	-	225
	1,077	3,845	46	3,331

11. ZAKAT PROVISION

Movement of zakat provision

	March 31, 2023 (Un-audited)	December 31, 2022 (Audited)
	SR 000	SR 000
The balance at the beginning of the period / year	27,924	31,981
Zakat charge	6,750	26,386
Paid for the period / year	-	(25,289)
Payment specific for additional zakat assessments	-	(5,154)
The balance at the end of the period / year	34,674	27,924

Zakat Status

The Company submitted its zakat returns for the years up to 2022 to the Zakat, Tax and Customs Authority and obtained the required certificate. During the Q2 of 2023, the Company paid the zakat balance due for the year of 2022 return amounting to SR 24,372 million.

In year 2021, the Company received the zakat assessment for the years 2019 and 2020 from the Zakat, Tax and Customs Authority (ZATCA) claiming an amount of SR 8.4 million, of which an amount of SR 3.2 million had been paid during the same year. During Q1 2022, the 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. The Company did not receive any zakat assessment for years of 2021 and 2022 from ZATCA yet.

12. REVENUE, NET

Classification of the Company's revenues from contracts with customers based on timing of revenue recognition and based on the product's type.

	March 31, 2023 (Un-audited)	March 31, 2022 (Un-audited)
	SR 000	SR 000
At point in time	176,276	126,492
Over a period of time	60,361	34,251
	236,637	160,743

	March 31, 2023 (Un-audited)	March 31, 2022 (Un-audited)
	SR 000	SR 000
Cement	176,276	126,492
Precast	60,361	34,251
	236,637	160,743

EASTERN PROVINCE CEMENT COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

13. COST OF REVENUE

Cost of revenue consists of consumables, salaries and wages, depreciation and other supplies. As at March 31, 2023, the cost of consumed materials from inventory was amounting to SR 35,889.

14. 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 March 31, 2023 (Un-audited)</u>	<u>Cement</u>	<u>Precast</u>	<u>Intersegment adjustments</u>	<u>Total</u>
			SR 000	
Total assets	2,565,827	355,003	(36,317)	2,884,513
Total liabilities	417,309	170,061	(36,317)	551,053

For the three months period ended March 31, 2023 (Un-audited)

Revenue, net	177,775	60,361	(1,499)	236,637
Net profit	48,799	6,774	-	55,573

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

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

Revenue, net	126,492	34,251	-	160,743
Net profit	26,791	(470)	-	26,321

The revenue according to the geographical areas is as follows:

	<u>March 31, 2023 (Un-audited)</u>	<u>March 31, 2022 (Un-audited)</u>
	SR 000	SR 000
Saudi Arabia	224,292	159,612
Other countries	12,345	1,131
	<u>236,637</u>	<u>160,743</u>

15. EARNINGS PER SHARE

The basic profit per share is calculated by dividing the net income for the period attributable to the ordinary shareholders of the 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:

	<u>For the three months period ended</u>	
	<u>March 31, 2023 (Un-audited)</u>	<u>March 31, 2022 (Un-audited)</u>
Net profit for the period (in thousands of SR)	55,573	26,321
Number of outstanding shares (in thousands of shares)	86,000	86,000
Basic and diluted		
Earnings per share of profit for the period (SR)	0.65	0.31
Earnings per share of total comprehensive income for the period (SR)	0.69	0.58

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

16. CAPITAL COMMITMENTS

The approved future capital projects as of March 31, 2023 by the company's management amounting to SR 51 million (December 31, 2022: SR 38.4 million).

17. CONTINGENCIES AND COMMITMENTS

As of March 31, 2023, the Company's contingent liabilities against letters of credit and letters of guarantees amounting to SR 218 million (December 31, 2022: SR 205 million).

18. DIVIDENDS

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

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

19. FAIR VALUE

For the purposes of financial reporting, the 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.

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 March 31, 2023 (Un-audited)	SR 000	SR 000	SR 000	SR 000
Investments in equity instruments through OCI	648,527	169,540	478,987	-
As at December 31, 2022 (Audited)				
Investments in equity instruments through OCI	642,020	161,965	480,055	-

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

The fair value of financial instruments carried at amortized cost

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

20. CORRECTION OF PRIOR YEARS' ERRORS

On March 23, 2022, the Company received claims from the Ministry of Industry and Mineral Resources (the "Ministry") amounting to SR 1.4 million, which represents the additional amount to be paid for the difference resulting from the Ministry's recalculation of financial consideration for the exploitation of limestone for the years 2019 and 2020 and the amount recorded by the Company. In addition, the Company received another claim for the total financial consideration for the exploitation of limestone for the year 2021 by an amount of 27.2 million out of which the Company recognized an accrued amount of SR 17.5 million as of December 31, 2021, which resulted in a difference of SR 9.8 million. These differences resulted from the issuance of an update to the executive regulations of the mining investment, dated Jumada I 7, 1442H, which was not implemented by the Company in these years. The Company considered this as an error which should be corrected in these years. Accordingly, the Company decided in Q4 of 2022 to correct these errors in the current year by adjusting the comparative figures of years 2021 and 2020 after assessing the related impacts on cost of revenues, accruals, inventory and retained earnings. As result for that adjusting the retained earnings as of January 1, 2021 by an amount of SR 9.5 million, which is in line with the requirements of IAS (8) "Change in Accounting Policies, Change in Accounting Estimates and Accounting Errors".

And since the adjustments arising from the above-mentioned matters were recognized in the Q4 of 2022, the Company's management was required to adjust the financial implications resulting from that with regard to the comparative figures included in the condensed interim statement of profit or loss and other comprehensive income, i.e. the period ended in March 31, 2022, as follows:

For the period ended March 31, 2022

**Condensed interim statement of
profit or loss and other
comprehensive income**

	Balance as previously stated	Adjustments	Restated balance
Cost of revenue	(114,744)	(2,665)	(117,409)
Gross profit	45,999	(2,665)	43,334
Operating profit	31,563	(2,665)	28,898
Profit before zakat	35,436	(2,665)	32,771
Profit for the period	28,986	(2,665)	26,321
Total comprehensive income the period	52,919	(2,665)	50,254
<u>Earnings per share to net income for the period (SR):</u>	0.34	(0.03)	0.31
<u>Earnings per share to total comprehensive income for the period (SR):</u>	0.62	(0.04)	0.58

**Condensed interim
statement of cash flows**

	Balance as previously stated	Adjustments	Reclassification	Restated balance
<u>Cash flows from operating activities:</u>				
Profit before zakat	35,436	(2,665)	-	32,771
<u>Movement in working capital</u>				
Inventories	(38,889)	(203)	(5,395)	(44,487)
Trade and other liabilities	46,324	2,868	-	49,192
Net cash generated from operating activities	12,043	-	(5,395)	6,648
Net cash used in from investing activities	(334,134)	-	5,395	(328,739)

The reclassification represents adjustments related to capitalized spare parts.

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

21. APPROVAL THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved on by the Board of Directors of the Company on May 9, 2023.