

**YANBU CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE THREE-MONTH AND NINE-MONTH
PERIODS ENDED 30 SEP 2022 AND
INDEPENDENT AUDITOR'S REVIEW REPORT**

Yanbu Cement Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

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INDEPENDENT AUDITOR'S REVIEW REPORT**TO THE SHAREHOLDERS OF
YANBU CEMENT COMPANY (A SAUDI JOINT STOCK COMPANY)****Introduction**

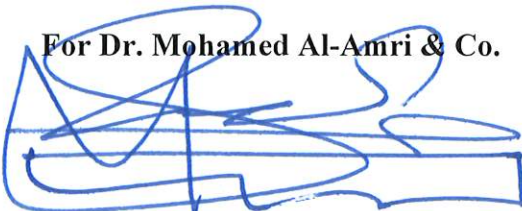
We have reviewed the accompanying interim condensed consolidated statement of financial position of Yanbu Cement Company, a Saudi Joint Stock Company ("the Company" or "the Parent Company") and its Subsidiary (collectively referred to as "the Group") as at 30 September 2022, and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statement of changes in shareholders' equity and cash flows for the nine-month period then ended and a summary of significant accounting policies and other explanatory notes from 1 to 18. Management is responsible for the preparation and presentation of these interim condensed consolidated 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 interim condensed consolidated 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 interim financial statements consists of making inquiries, primarily to the 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.

Maher Al-Khatieb
Certified Public Accountant
License Number 514



Jeddah on 26 October 2022 (G)
Corresponding to: 01 Rabi-ul-Thani 1444 (H)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

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

		<i>For the three- month period ended 30 September 2022</i>	<i>For the three- month period ended 30 September 2021</i>	<i>For the nine - month period ended 30 September 2022</i>	<i>For the nine - month period ended 30 September 2021</i>
	<i>Note</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Revenue	4	262,096,136	207,784,488	741,899,800	742,869,914
Cost of revenue		(172,849,386)	(157,224,486)	(534,567,652)	(557,943,811)
GROSS PROFIT		89,246,750	50,560,002	207,332,148	184,926,103
Selling and distribution expenses		(4,057,837)	(2,399,766)	(11,163,745)	(8,845,334)
General and administrative expenses		(9,996,461)	(10,686,239)	(29,949,439)	(26,955,877)
PROFIT FROM OPERATIONS		75,192,452	37,473,997	166,218,964	149,124,892
Gain on derivative instruments at fair value through profit or loss	16	1,229,306	243,566	4,698,931	1,010,602
Other income		696,427	2,849,115	7,139,121	12,103,266
Other expense	9	-	-	(4,500,000)	-
Finance income		535,192	106,641	665,325	195,075
Finance costs		(2,008,853)	(953,893)	(5,902,614)	(2,962,449)
PROFIT BEFORE ZAKAT		75,644,524	39,719,426	168,319,727	159,471,386
Zakat	6	(6,373,103)	(3,315,000)	(12,075,970)	(7,840,000)
PROFIT FOR THE PERIOD		69,271,421	36,404,426	156,243,757	151,631,386
OTHER COMPREHENSIVE INCOME:					
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>					
Re-measurement on employee benefits' liabilities		(1,456,907)	(5,392,760)	(1,456,907)	(6,333,905)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		67,814,514	31,011,666	154,786,850	145,297,481
Profit for the period:					
<i>Attributable to:</i>					
Owners of the parent		67,814,514	35,480,812	154,786,850	149,688,510
Non-controlling interest	1	-	923,614	-	1,942,876
		67,814,514	36,404,426	154,786,850	151,631,386
EARNINGS PER SHARE					
Basic and diluted earnings per share attributable to owners of the parent	13	0.43	0.23	0.98	0.95

The attached notes 1 to 18 form an integral part of these unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2022

	<u>Note</u>	<i>30 September 2022 Unaudited SR</i>	<i>31 December 2021 Audited SR</i>
ASSETS			
Property, plant and equipment	7	2,428,027,949	2,529,430,730
Intangible assets		1,977,214	2,500,788
Other non-current assets		37,222,472	54,181,309
TOTAL NON-CURRENT ASSETS		2,467,227,635	2,586,112,827
CURRENT ASSETS			
Inventories	9	567,114,472	541,471,148
Trade receivables	8	162,725,158	166,320,074
Prepayments, advances and other receivables		44,775,688	33,303,164
Financial derivatives	16	4,635,331	-
Cash and bank balances		200,840,292	60,605,196
TOTAL CURRENT ASSETS		980,090,941	801,699,582
TOTAL ASSETS		3,447,318,576	3,387,812,409
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	1,575,000,000	1,575,000,000
Statutory reserve	11	787,500,000	787,500,000
Retained earnings		468,996,060	432,334,210
Equity attributable to the owners of the parent		2,831,496,060	2,794,834,210
Non-controlling interest	1/3	-	32,331,437
TOTAL EQUITY		2,831,496,060	2,827,165,647
NON-CURRENT LIABILITIES			
Term loans	10	96,500,000	80,000,000
Provision for employee benefits'		90,149,325	83,743,089
Lease liability		4,725,538	5,778,856
TOTAL NON-CURRENT LIABILITIES		191,374,863	169,521,945
CURRENT LIABILITIES			
Trade payables		35,844,151	21,617,736
Financial derivatives	16	-	63,600
Current portion of term loans	10	23,500,000	45,944,444
Short term borrowings	10	106,441,979	150,735,566
Dividends payable		81,729,166	81,689,119
Accrued expenses and other current liabilities		164,372,662	79,070,934
Zakat payable	6	12,559,695	12,003,418
TOTAL CURRENT LIABILITIES		424,447,653	391,124,817
TOTAL LIABILITIES		615,822,516	560,646,762
TOTAL EQUITY AND LIABILITIES		3,447,318,576	3,387,812,409

The attached notes 1 to 18 form an integral part of these unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine-month period ended 30 September 2022

	<i>Attributable to the owners of the parent</i>				<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Total</i>		
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
As at 1 January 2022 (Audited)	1,575,000,000	787,500,000	432,334,210	2,794,834,210	32,331,437	2,827,165,647
Profit for the period	-	-	156,243,757	156,243,757	-	156,243,757
Other comprehensive income	-	-	(1,456,907)	(1,456,907)	-	(1,456,907)
<i>Total comprehensive income for the period</i>	-	-	154,786,850	154,786,850	-	154,786,850
Increase in ownership stake of the Subsidiary (Note 3)	-	-	-	-	(32,331,437)	(32,331,437)
Dividends to owners of the parent (Note 12)	-	-	(118,125,000)	(118,125,000)	-	(118,125,000)
Balance at 30 September 2022 (Unaudited)	1,575,000,000	787,500,000	468,996,060	2,831,496,060	-	2,831,496,060

	<i>Attributable to owners of the parent</i>				<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained Earnings</i>	<i>Total</i>		
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
As at 1 January 2021 (Audited)	1,575,000,000	787,500,000	634,041,255	2,996,541,255	32,126,604	3,028,667,859
Profit for the period	-	-	149,688,510	149,688,510	1,942,876	151,631,386
Other comprehensive income	-	-	(6,333,905)	(6,333,905)	-	(6,333,905)
<i>Total comprehensive income for the period</i>	-	-	143,354,605	143,354,605	1,942,876	145,297,481
Dividends to owners of the parent (Note 12)	-	-	(196,875,000)	(196,875,000)	-	(196,875,000)
Dividends to non-controlling interest	-	-	-	-	(2,000,000)	(2,000,000)
Balance at 30 September 2021 (Unaudited)	1,575,000,000	787,500,000	580,520,860	2,943,020,860	32,069,480	2,975,090,340

The attached notes 1 to 18 form an integral part of these unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2022

		<i>For the nine-month period ended 30 September 2022</i>	<i>For the nine-month period ended 30 September 2021</i>
	<i>Note</i>	<i>SR</i>	<i>SR</i>
		<i>Unaudited</i>	<i>Unaudited</i>
OPERATING ACTIVITIES			
Profit before zakat		168,319,727	159,471,386
<i>Adjustment to reconcile operating income to net cash flows:</i>			
Depreciation of property, plant and equipment	7	123,164,172	146,941,075
Amortization for intangible assets		523,574	1,724,118
Finance costs		5,902,614	2,962,449
Gain on derivative instruments at fair value through profit or loss		(4,698,931)	(1,010,602)
Provision for employee benefits' liabilities		7,111,442	5,549,446
Allowance for spare parts obsolescence		4,500,000	-
Allowance for expected credit losses		-	(404,213)
		304,822,598	315,233,659
<i>Working capital changes:</i>			
Trade receivables		3,594,916	5,682,967
Inventories		(30,143,324)	65,400,851
Prepayments, advances and other receivables		5,486,313	1,870,675
Trade payables		14,226,415	(23,249,754)
Accrued expenses and other current liabilities		85,301,728	(7,357,026)
		383,288,646	357,581,372
Zakat paid	6	(11,519,693)	(11,054,943)
Employee benefits' liabilities paid		(2,162,113)	(6,848,219)
Finance cost paid		(5,695,932)	(2,741,916)
Net cash generated from operating activities		363,910,908	336,936,294
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(21,761,391)	(78,786,991)
Increase in ownership stake of the Subsidiary	3	(32,331,437)	-
Purchase of intangible assets		-	(574,425)
Net cash used in investing activities		(54,092,828)	(79,361,416)
FINANCING ACTIVITIES			
Lease liability		(1,260,000)	(650,000)
Net movement of long-term borrowings		(5,944,444)	(38,916,666)
Net movement of short-term borrowings		(44,293,587)	120,324,296
Dividends paid to owners of the parent		(118,084,953)	(391,088,980)
Dividends paid to non-controlling interest		-	(2,000,000)
Net cash used in financing activities		(169,582,984)	(312,331,350)
NET CHANGES IN CASH AND BANK BALANCES		140,235,096	(54,756,472)
Cash and bank balances at the beginning of the period		60,605,196	137,015,441
CASH AND BANK BALANCES AT THE END OF THE PERIOD		200,840,292	82,258,969

The attached notes 1 to 18 form an integral part of these unaudited interim condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine-month period ended 30 September 2022

1 CORPORATE INFORMATION

Yanbu Cement Company (“the Company” or “the Parent Company”) - a Saudi Joint Stock Company - established in accordance with Companies Regulations in the Kingdom of Saudi Arabia by the Royal Decree No. M/10 dated on 4 Rabi' I 1397H (corresponding to 22 February 1977), and it is registered in Yanbu city under Commercial Registration (CR) No. 4700000233 dated on 21 Dhul-Qi'dah 1398H (corresponding to 24 October 1978). The Company's shares are listed in the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia. These interim condensed consolidated financial statements comprise the Company and its subsidiary (together referred to as the "Group").

The Parent Company's authorized and paid-up capital is divided into 157,500,000 shares as at 30 September 2022 (31 Dec 2021: 157,500,000 shares) stated at SR 10 per share.

The Company is mainly engaged in manufacturing, producing and trading in cement and its related products as per industrial license No. 411102104244 issued on 05 Ramadan 1441H (corresponding to 28 April 2020) which ends on 04 Ramadan 1444H (corresponding to 26 March 2023)

The registered address of the Company is Yanbu Cement building located at Al Baghdadiyah Al Gharbiyah District, P. O. Box 5330, Jeddah 21422, Kingdom of Saudi Arabia. The Company has branches in Jeddah with CR numbers 4030021367.

During the current period, the Company acquired 40% additional shares of Yanbu Saudi Kuwaiti Paper Products Company Limited (the “Subsidiary”). Consequently, the Company became 100% owner of it. Refer Note 3 for further details.

There is no change in the company investment in associate, Knowledge Center for Cement Training Limited, since the latest financial statement issued in 31 December 2021.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basic of preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” “IAS 34” that is endorsed in the Kingdom of Saudi Arabia.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021. In addition, results for the interim period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

The interim condensed consolidated financial statements have been prepared on a historical cost basis except for financial derivatives that have been measured at fair value and for employee benefit liabilities, projected unit credit method is used. The interim condensed consolidated financial statements are presented in Saudi Riyals (“SR”), which is also the functional currency of the Company.

2.2 Significant accounting judgments, estimates and assumptions

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's key sources of estimation uncertainty were the same as those described in the consolidated financial statements for the year ended 31 December 2021. However, the Group has also reviewed the key sources of estimation uncertainties disclosed in its 2021 annual consolidated financial statements. Management believes that all sources of estimation uncertainty remain similar to those disclosed in 2021 annual consolidated financial statements. The Group will continue to monitor the situation, and any changes required will be reflected in future reporting periods.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

For the nine-month period ended 30 September 2022

2 SIGNIFICANT ACCOUNTING POLICES (continued)

2.3 New standards, interpretations and amendments adopted by the Group

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2021, except for the following amendments which apply for the first time in 2022. However, not all are expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there are no such transactions under the above amendments during the current period.

Impact of accounting standards to be applied in future periods

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 31 December 2022 (the date of the Group's next annual financial statements) that the Group has decided not to adopt early. The Group does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

3 SIGNIFICANT MATTERS DURING THE PERIOD

Acquisition of the remaining stake of the Subsidiary

During the current period, the Company acquired 40% additional shares of the Subsidiary. Consequently, the Company became the 100% owner of the Subsidiary. The consideration against the above 40% acquisition amounted to SR 32.3 million that represents the related share of its net assets as at 31 December 2021. Accordingly, the above transaction has not resulted into any gain or loss in the interim condensed consolidated financial statements during the current period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

For the nine-month period ended 30 September 2022

4 REVENUE

The Group's revenue is described below:

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<i>Product type</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Bulk cement	125,057,937	101,280,462	345,863,737	363,489,776
Packed cement	68,194,110	64,700,792	211,765,353	222,585,062
Cement bags	389,700	14,282,239	12,690,750	41,594,400
Raw cement (clinker)	68,454,389	27,520,995	171,579,960	115,200,676
Total revenue (*)	262,096,136	207,784,488	741,899,800	742,869,914
<i>Geographical markets</i>				
Total revenue inside the Kingdom of Saudi Arabia	193,641,747	180,263,493	570,319,840	623,223,587
Total revenue outside the Kingdom of Saudi Arabia	68,454,389	27,520,995	171,579,960	119,646,327
Total revenue	262,096,136	207,784,488	741,899,800	742,869,914

(*) The timing of the revenue recognition from the above goods is at a point in time.

5 SEGMENT INFORMATION

The Group is engaged in one operating segment, i.e. manufacturing cement and operates entirely from the Kingdom of Saudi Arabia. Accordingly, the financial information was not divided into different geographic or business segments. The financial information of the Subsidiary is not significant to Group's interim condensed consolidated financial statements for segment information.

6 ZAKAT

The movement in Zakat payable on the Group was as follows:

	<i>30 September</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
	<i>Unaudited</i>	<i>Audited</i>
Balance at beginning of the period /year	12,003,418	17,190,782
Provided during the period/year	12,075,970	13,344,751
Paid during the period /year	(11,519,693)	(18,532,115)
Balance at the end of the period /year	12,559,695	12,003,418

Zakat for the period ended 30 September 2022 is calculated based on the management's estimate, which may not represent an accurate indication about Zakat for the year ending 31 December 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

For the nine-month period ended 30 September 2022

6 ZAKAT (Continued)

Status of assessments

Parent Company:

The Company has submitted its Zakat returns to Zakat, Tax and Customs Authority (“ZATCA”) up to the year ended 31 December 2021 and paid the zakat liabilities for those years due as per the returns. The Company has also finalized its status until the year ended 31 December 2018. During year 2021, the Company received an assessment order for the years 2019 and 2020, claiming additional zakat of SR 22.8 million.

The Company objected the above assessment order and as a result the above zakat claim was reduced to SR 13.5 million. The Company paid an amount of SR 7.5 million, and filed a lawsuit with the General Secretariat for the remaining amount SR 6 million that represented the balance of the obsolescence provision for spare parts not prepared for sale and the balance of payments made by customers. ZATCA agreed to add the item net stock of spare parts within the positive base and not accept the deduction of the total stock of spare parts, as the value of the provision for obsolescence of spare parts was not taken into account, and that the balance of payments made by customers did not fall within a year.

The Company has provided nil zakat liability against the above remaining balance and believes that it is the best estimate of the liability as at period end and in accordance with the laws and regulations for calculating zakat.

Subsidiary:

The Company has submitted its zakat returns with ZATCA for the years up to 31 December 2021 and paid the zakat liabilities for those years due as per the returns.

During 2020, the Company received an additional assessment for the year 2017 and 2018 with an additional zakat liability of SR 207,080 and SR 58,642 respectively. The Company had filed objections against these assessments, which were rejected for the year 2017 and was partially accepted for the year 2018 and resulted in revised zakat liability for the year 2018 amounted to SR 35,897. Management has further objected and filed the appeals to the General Secretariat of the Tax Committees that issued the judgment against the Company and amount was paid accordingly on 21 November 2021. During the period General Secretariat of Tax Committee rejected the objection filed by the company, however, the management has filed an appeal against the decision of General Secretariat of Tax Committee on 16 August 2022 with Committee for Tax Violation and Disputes.

7 PROPERTY, PLANT AND EQUIPMENT

For purpose of preparing the interim condensed consolidated statement of cash flows, movement in property, plant and equipment during the nine-month period ended 30 September as follows:

	<u>For the nine-month period ended 30 September</u>	
	2022	2021
	SR	SR
	<u>Unaudited</u>	<u>Unaudited</u>
Depreciation	123,164,172	146,941,075
Addition to property, plant and equipment	21,761,391	78,786,991

The plants are situated on land leased from the Deputy Ministry for Mineral Resources, of Ras Baridi in Yanbu, for 30 Hijri years commencing 4 Rabi’ I 1398H (corresponding to 12 February 1978). The lease has been renewed for a similar period for 30 years on 3 Rabi’ I 1428H (corresponding to 22 March 2007). The lease is renewable for further similar years, as mentioned above, subject to the agreement of both parties.

8 TRADE RECEIVABLES

	30 September	31 December
	2022	2021
	SR	SR
	<u>Unaudited</u>	<u>Audited</u>
Total trade receivables	166,668,839	170,263,755
Allowance for expected credit losses	(3,943,681)	(3,943,681)
	<u>162,725,158</u>	<u>166,320,074</u>

Trade receivables are non-interest bearing and are generally on the term of 30 to 90 days.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

For the nine-month period ended 30 September 2022

9 INVENTORIES

	<i>30 September 2022 SR <u>Unaudited</u></i>	<i>31 December 2021 SR <u>Audited</u></i>
Spare parts, net	159,299,158	149,055,209
Work in process	358,806,059	350,906,657
Raw materials	22,852,795	23,047,307
Fuel	16,199,760	15,875,526
Packaging materials	9,538,104	2,001,948
Other materials	418,596	584,501
	<u>567,114,472</u>	<u>541,471,148</u>

As at 30 September 2022, the Group maintains provision against slow-moving spare parts amounting to SR 90.6 million (31 December 2021 : SR 86.1 million).

10 TERM LOAN

- A. During the year 2015, the Parent Company entered into bank facilities agreement amounting to SR 250 million with the Saudi National Bank (“SNB”) to finance the construction of power generating plant from waste thermal energy project. The loan balance has been fully utilized in prior years. The loan is repayable in monthly installments of SR 4.32 million each with last installment due in September 2022. The loan is subject to interest costs as per prevailing Saudi rates (SIBOR) plus fixed commission rate. The power generating plant from waste thermal energy project was mortgaged completely as a guarantee to SNB. However, the loan has been fully paid during the period.
- B. During the year 2021, the Parent Company entered into a bank facility agreement with Gulf International Bank amounting to 100 million SR to cover the financing of the project to raise the production capacity of the fourth line. The loan is subject to repayable in quarterly installments of 5 million Saudi riyals each and the last payment is due in December 2026. The loan is subject to interest costs as per prevailing Saudi Arabian Interbank Offered Rate (SAIBOR) plus fixed commission rate.
- C. During the year 2022, the parent company entered into a bank facility agreement with the SABB in the amount of 35 million Saudi riyals to cover the acquisition of 40% of the remaining shares of the subsidiary. The loan is subject to repayment of quarterly installments of SR 1.75 million each, starting from July 2023 until September 2028. The loan entails financing costs as per prevailing Saudi Arabian Interbank Offered Rate (SAIBOR) in addition to a fixed commission rate.

The outstanding term loans as at period / year end are as follows:

	<i>30 September 2022 SR <u>Unaudited</u></i>	<i>31 December 2021 SR <u>Audited</u></i>
Saudi National Bank loan (Note A)	-	25,944,444
Gulf International Bank loan (Note B)	85,000,000	100,000,000
SABB Bank loan (Note C)	35,000,000	-
	<u>120,000,000</u>	<u>125,944,444</u>
The current portion	(23,500,000)	(45,944,444)
The non-current portion	<u>96,500,000</u>	<u>80,000,000</u>

Short term borrowings

During the period 2021, the Parent Company entered into Islamic financing facilities agreement with Gulf International Bank and Bank Albilad, each amounting to SR 100 million at SIBOR plus agreed commission rate to meet its working capital requirements. The facilities availed during the year 2021 were also fully paid off during the same year. As on 30 September 2022, the outstanding amounts of SR 106.4 million (31 December 2021 : SR 150.7 million) were classified under current liabilities since these are due for payment to Gulf International Bank and Bank Albilad within 12 months period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

For the nine-month period ended 30 September 2022

11 STATUTORY RESERVE

In accordance with the Parent Company's By-laws, the Parent Company is required to transfer at least 10% of the net income to the statutory reserve. The Parent Company may cease such transfers when the statutory reserve equals 30% of the share capital. This having been achieved in previous year, the Parent Company resolved to discontinue such transfers.

12 DIVIDENDS

On June 01, 2022 (corresponding to 2 Dhu-Al Qa'dah 1443), the Board of Directors of the Parent Company decided to distribute cash dividends amounting of SR 118.1 million (SR 0.75 per share) for the first half of the year ending 31 December 2022 which represent 7.5% of the nominal value of shares.

On July 26, 2021 (corresponding to Dhu al-Hijjah 16 1442 AH), the parent company's board of directors decided to distribute cash dividends of 196.9 million Saudi riyals (1.25 riyals per share) for the first half of the year ending on December 31, 2021 AD, equivalent to 12.5% of the share value.

13 EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the income for the period attributable to equity holders in the Parent Company by the weighted average number of ordinary shares which are 157.5 million shares.

The table below reflects the details of the net income for the period and the number of shares used in calculating basic and diluted earnings per share:

	<i><u>For the three-month period</u></i>		<i><u>For the nine-month period</u></i>	
	<i><u>ended 30 September</u></i>	<i><u>ended 30 September</u></i>	<i><u>ended 30 September</u></i>	<i><u>ended 30 September</u></i>
	<i><u>2022</u></i>	<i><u>2021</u></i>	<i><u>2022</u></i>	<i><u>2021</u></i>
	<i><u>Unaudited</u></i>	<i><u>Unaudited</u></i>	<i><u>Unaudited</u></i>	<i><u>Unaudited</u></i>
Profit for the period attributable to ordinary shareholders of the Parent Company (SR' 000)	67,815	35,481	154,787	149,689
The weighted average number of outstanding ordinary shares (000' shares)	157,500	157,500	157,500	157,500
Basic and diluted earnings per share attributable to shareholders of the Parent Company (Saudi Riyals)	0.43	0.23	0.98	0.95

There has been no item of dilution affecting the weighted average number of ordinary shares.

14 CONTINGENCIES AND CAPITAL COMMITMENTS

As at 30 September 2022, the contingencies against banks' letter of guarantees issued on behalf of the Group amounted to SR 31.6 million (31 December 2021: SR 31.9 million).

As at 30 September 2022, the Group has issued bank letter of credits amounting to SR 15.2 million (31 December 2021: SR 2.8 million) from a bank in the Kingdom of Saudi Arabia.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

For the nine-month period ended 30 September 2022

15 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, Board of Directors, the Group's key management personnel and enterprises managed or significantly influenced by those parties. The following are the details of major related parties' transactions during the nine-month periods ended 30 September 2022:

Allowances and compensation of the Board of Directors and senior executives

The Group's senior management includes key management personnel and executives, Board of Directors, having authorities and responsibilities for planning, directing and controlling the activities of the Group.

Board of Directors and committees' compensation charged and accrued during the nine-month period ended 30 September 2022 amounting to SR 2.7 million (30 September 2021: SR 3.2 million).

Key management personnel compensation comprised the following:

	<u>For the three-month period ended 30 September</u>		<u>For the nine-month period ended 30 September</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
Short term employee benefits	1,706,350	1,614,500	5,119,050	4,869,000
Post-employment benefits	95,453	90,188	286,359	297,088
	<u>1,801,803</u>	<u>1,704,688</u>	<u>5,405,409</u>	<u>5,166,088</u>

The Group entered into transaction with its associate under mutually agreed terms and conditions:

Associate

(Knowledge Center for Cement Training Limited)

	<u>Amount of transaction</u>		<u>Due to related party</u>	
	<u>30 September 2022</u>	<u>31 December 2021</u>	<u>30 September 2022</u>	<u>31 December 2021</u>
	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
<u>(Nature of transaction)</u>	<u>Unaudited</u>	<u>Audited</u>	<u>Unaudited</u>	<u>Audited</u>
Training cost charges by associate	861,638	1,745,269	823,036	(767,501)

16 FAIR VALUE MEASUREMENT

All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Suppose the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy. In that case, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

For the nine-month period ended 30 September 2022

16 FAIR VALUE MEASUREMENT (Continued)

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

<i>Liabilities measured at fair value</i>	<i>Date of valuation</i>	Total SR	<i>Fair value measurement using</i>		
			<i>Quoted prices in active markets (Level 1) SR</i>	<i>Significant observable inputs (Level 2) SR</i>	<i>Significant unobservable inputs (Level 3) SR</i>
Financial derivatives	<i>30 September 2022 (Unaudited)</i>	(4,635,331)	-	-	(4,635,331)
Financial derivatives	<i>31 December 2021 (Audited)</i>	63,600	-	-	63,600

The Group enters into derivative financial instrument principally with financial institutions having investment-grade credit ratings. Derivatives valued using valuation techniques with observable market inputs is interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations.

As at 30 September 2022 and 31 December 2021, the fair values of the Group's financial instruments are estimated to approximate their carrying values and are classified under level 3 of the fair value hierarchy.

During the nine months ended 30 September 2022 and year ended 31 December 2021, there were no movements between the levels.

17 EVENTS AFTER THE REPORTING PERIOD

In the opinion of the management, there have been no subsequent events since the period ended 30 September 2022 which would have a material impact on the financial statement of the Group reflected in these interim condensed consolidated financial statements.

18 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements for the Group for the three-month and nine-month periods ended 30 September 2022, were approved by the Board of Directors on 29 Rabi-ul-Awwal 1444 H (corresponding to 25 October 2022).