

SAUDI CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2024
WITH
INDEPENDENT AUDITOR'S REVIEW REPORT

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2024**

INDEX	Pages
Independent auditor's report on review of condensed consolidated interim financial statements	-
Condensed consolidated statement of financial position	1
Condensed consolidated statement of profit or loss and other comprehensive income	2
Condensed consolidated statement of changes in equity	3
Condensed consolidated statement of cash flows	4
Notes to the condensed consolidated interim financial statements	5 -14



KPMG Professional Services

16th Floor, Al Barghash Tower
6189 Prince Turki Road, Al Corniche
P.O. Box 4803
Al Khobar, 34412 - 3146
Kingdom of Saudi Arabia
Commercial Registration No 2051062328

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

الطابق ١٦، برج البرغاش
٦١٨٩ طريق الأمير تركي، الكورنيش
ص.ب ٤٨٠٣
الخبير ٣١٤٦ - ٣٤٤١٢
المملكة العربية السعودية
سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

المركز الرئيسي في الرياض

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Saudi Cement Company

Introduction

We have reviewed the accompanying 30 September 2024 condensed consolidated interim financial statements of **Saudi Cement Company** ("the Company") and its subsidiary ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 30 September 2024;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2024;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2024;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2024; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated 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.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR70,000,000 and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. Commercial Registration of the headquarters in Riyadh is 1010425494.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (٧٠,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لكي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. رقم السجل التجاري للمركز الرئيسي في الرياض هو ١٠١٠٤٢٥٤٩٤.



Independent auditor's report on review of condensed consolidated interim financial statements (continued)

To the Shareholders of Saudi Cement Company

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2024 condensed consolidated interim financial statements of Saudi Cement Company and its subsidiary are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Professional Services

Nasser Ahmed Al Shutairy
License no. 454

Al Khobar,
Date: 4 Jumada Al-Awwal 1446H
Corresponding to: 6 November 2024G




SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

	Note	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	4	1,916,137	2,003,995
Right-of-use assets		41,441	42,354
Intangible assets		10,738	10,889
Investment in an associate	5	52,000	48,497
Total non-current assets		2,020,316	2,105,735
Current assets			
Inventories		615,512	563,670
Trade receivables	11	420,146	387,366
Prepayments and other current assets		44,490	42,445
Cash and cash equivalents	6	148,618	114,916
Total current assets		1,228,766	1,108,397
Total assets		3,249,082	3,214,132
Equity and liabilities			
Equity			
Share capital	7	1,530,000	1,530,000
Statutory reserve	8	-	459,000
Retained earnings		586,344	170,311
Total equity		2,116,344	2,159,311
Liabilities			
Non-current liabilities			
Employees' benefits		128,259	126,331
Lease liabilities		40,958	38,871
Provision for site restoration		6,279	6,049
Total non-current liabilities		175,496	171,251
Current liabilities			
Lease liabilities – current portion		2,810	6,722
Short term loans	9	450,000	400,000
Trade payables		56,085	60,922
Dividend payable	16	226,411	226,090
Accruals and other current liabilities		177,561	141,655
Contract liabilities	11	28,508	26,699
Provision for Zakat	10	15,867	21,482
Total current liabilities		957,242	883,570
Total liabilities		1,132,738	1,054,821
Total equity and liabilities		3,249,082	3,214,132


Designated Member / CEO
Mohammed A. AlGarni


Finance Manager
Evan Abaza

The accompanying notes from 1 to 19 on pages 5 to 14 form an integral part of these condensed consolidated interim financial statements.

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME

For the three-month and nine-month periods ended 30 September 2024
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

	Note	Three-month period ended		Nine-month period ended	
		30 September 2024 (Un-Audited)	30 September 2023 (Un-Audited)	30 September 2024 (Un-Audited)	30 September 2023 (Un-Audited)
Revenue	11	387,109	315,003	1,191,763	1,080,891
Cost of revenue		(232,798)	(200,582)	(718,682)	(645,618)
Gross profit		154,311	114,421	473,081	435,273
Selling and distribution expenses		(36,813)	(33,768)	(113,470)	(99,081)
General and administrative expenses		(19,519)	(19,975)	(58,253)	(58,026)
Operating profit		97,979	60,678	301,358	278,166
Other income		14,246	18,897	31,704	22,889
Share of profit of investment in an associate	5	1,421	1,842	3,503	1,985
Finance charges		(8,967)	(8,657)	(21,782)	(21,144)
Gain on sale of investment		-	-	-	8,842
Profit before Zakat		104,679	72,760	314,783	290,738
Zakat expense	10	(4,500)	(4,500)	(13,500)	(13,500)
Profit for the period		100,179	68,260	301,283	277,238
Other comprehensive income;					
<i>Item that will not be reclassified to the condensed consolidated statement of profit or loss in subsequent periods:</i>					
Share of other comprehensive income of investment in an associate		-	-	-	(83)
Total other comprehensive loss		-	-	-	(83)
Total comprehensive income for the period		100,179	68,260	301,283	277,155
Earnings per share		SR	SR	SR	SR
Basic and diluted earnings per share attributable to the shareholders of the Company	17	0.65	0.45	1.97	1.81


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SAUDI CEMENT COMPANY
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2024
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

	<u>Attributable to shareholders of the Company</u>				
	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Fair value reserve</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at 1 January 2023 (Audited)	1,530,000	459,000	327	303,635	2,292,962
<i>Total comprehensive income for the period</i>					
Profit for the period	-	-	-	277,238	277,238
Transfers	-	-	(327)	327	-
Other comprehensive loss	-	-	-	(83)	(83)
Total comprehensive income for the period	-	-	(327)	277,482	277,155
Dividends (note 16)	-	-	-	(497,250)	(497,250)
Balance at 30 September 2023 (Un-Audited)	<u>1,530,000</u>	<u>459,000</u>	<u>-</u>	<u>83,867</u>	<u>2,072,867</u>
Balance at 1 January 2024 (Audited)	1,530,000	459,000	-	170,311	2,159,311
<i>Total comprehensive income for the period</i>					
Profit for the period	-	-	-	301,283	301,283
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	301,283	301,283
Transfer of statutory reserve to retained earnings (note 8)	-	(459,000)	-	459,000	-
Dividends (note 16)	-	-	-	(344,250)	(344,250)
Balance at 30 September 2024 (Un-Audited)	<u>1,530,000</u>	<u>-</u>	<u>-</u>	<u>586,344</u>	<u>2,116,344</u>


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SAUDI CEMENT COMPANY
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2024
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

	Note	30 September 2024 (Un-Audited)	30 September 2023 (Un-Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		301,283	277,238
Adjustments for:			
Depreciation - property, plant and equipment	4	156,852	160,138
Depreciation - right-of-use assets		4,885	3,772
Amortization - intangible assets		446	430
Share of profit of investment in an associate	5	(3,503)	(1,985)
Provision for employees' benefits		7,392	7,884
Finance charges		21,782	21,144
Provision for slow moving and obsolete inventories		8,696	7,695
Zakat expense		13,500	13,500
Gain on sale of FVOCI investment		-	(8,842)
Provision for site restoration		-	2,946
Provision for allowance for expected credit losses		-	178
Loss on disposal of property, plant and equipment		-	9
		<u>511,333</u>	<u>484,107</u>
Changes in:			
Inventories		(60,538)	(51,370)
Trade receivables		(32,780)	(25,272)
Prepayments and other current assets		(2,045)	2,786
Trade payables		(4,837)	(82,176)
Accruals and other current liabilities		35,938	108,736
Contract liabilities		1,809	(4,058)
Cash generated from operating activities		<u>448,880</u>	<u>432,753</u>
Finance charges paid		(19,999)	(20,389)
Zakat paid		(19,115)	(16,669)
Employees benefits paid		(5,464)	(5,129)
Net cash from operating activities		<u>404,302</u>	<u>390,566</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	4	(76,355)	(45,256)
Additions to intangible assets		(295)	-
Proceeds from sale of property, plant and equipment		7,361	21
Proceeds from sale of FVOCI investment	15	-	12,029
Net cash used in investing activities		<u>(69,289)</u>	<u>(33,206)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(7,382)	(6,483)
Proceeds from short term loans		300,000	450,000
Repayment of short term loans		(250,000)	(325,000)
Dividend paid		(344,250)	(497,250)
Dividends returned from bank		9,270	4,156
Dividend payment of past due dividends		(8,949)	(9,805)
Net cash used in financing activities		<u>(301,311)</u>	<u>(384,382)</u>
Net change in cash and cash equivalents		33,702	(27,022)
Cash and cash equivalents at beginning of the period		114,916	91,476
Cash and cash equivalents at the end of the period		<u>148,618</u>	<u>64,454</u>
NON CASH TRANSACTIONS			
Addition to right-of-use assets and lease liabilities		3,972	28,887


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SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three month and nine month periods ended 30 September 2024
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

1 CORPORATE INFORMATION

Saudi Cement Company ("the Company") is a Saudi Joint Stock Company incorporated under Royal Decree number 6/6/10/726 dated 8 Rabi' II 1375 H (corresponding to 23 November 1955) and registered in the Kingdom of Saudi Arabia, in the city of Dammam under Commercial Registration number 2050000602 dated 6 Dhul Qadah 1377 H (corresponding to 24 May 1958). The Company is engaged in manufacturing and selling cement and its related products.

The Company obtained under the Royal Decree number 10/6/6/8500 dated 26 Rajab 1370H corresponding to 3 May 1951, the right of the mining concession for the extraction of limestone, gypsum and clay and all the necessary materials for the manufacture of cement in Al Hassa for 30 years period.

Thereafter, the Company obtained the licenses for the existing quarries under the Royal Decree number M/11 dated 29/04/1405H (corresponding to 22/01/1985) which gives mining concession for the extraction of limestone, gypsum and clay and all the necessary materials for the manufacture of cement for 30 years period.

In the year 1985, a Saudi Bahraini Company obtained the right of the mining concession for the extraction of limestone, gypsum and clay under the Royal Decree number M/12 dated 29/04/1405H (corresponding to 22/01/1985) which was merged with the Saudi Cement Company in 1990. Accordingly, the Ministry of Petroleum and Mineral Resources resolved on 04/01/1412H (corresponding to 15/07/1991) to transfer all quarries and related licenses of Saudi Bahraini Company to the Saudi Cement Company.

In the year 2020, all of the above licenses which have been issued under the Royal Decree numbers M/11 and M/12 dated 29/04/1405H (corresponding to 22/01/1985) were renewed by the Ministry of Industry and Mineral Resources for a period of 30 years started from 29/4/1435 H (corresponding to 01 March 2014) till 1/4/1466 H (corresponding to 01 March 2044) except quarry license for Aba Hamama area in Al-Ahsa region which has been renewed for 10 years started from 11/12/1441 (corresponding to 01 August 2020) till 1/4/1452 H (corresponding to 01 August 2030).

The accompanying condensed consolidated interim financial statements includes the activities of the Company and its following subsidiary (collectively referred to as "the Group"):

Name	Country of incorporation	Percentage of holding	
		30 September 2024 (Un-Audited)	31 December 2023 (Audited)
United Cement Company W.L.L	Kingdom of Bahrain	100%	100%

United Cement Company W.L.L. (UCC) is a limited liability company incorporated in the Kingdom of Bahrain on 15 March 1989 with the Ministry of Industry, Commerce and Tourism under commercial registration number 20906. The principal activities of UCC include import, export and sale of cement in different forms. The registered office of UCC is situated at Mina Salman Industrial Area, P.O. Box 26719, Mina Salman Industrial Area, Kingdom of Bahrain.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as endorsed in Kingdom of Saudi Arabia (KSA) and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three month and nine month periods ended 30 September 2024
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Statement of compliance (Continued)

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2023 ("Last Annual Financial Statements"). However, changes in accounting policies, if any and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements. The results for the interim periods are unaudited, hence interim results may not be an indicator for the full year results.

2.2 Basis of preparation

These condensed consolidated interim financial statements are prepared under the historical cost convention, using the accruals basis of accounting, except for certain employees' benefits which are measured at present value of the defined benefit obligation using the projected unit credit method.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management had assessed the impact of the New Companies Law, accordingly amended its By-Laws and obtained approval in annual general meeting that was held in November 2023.

2.3 Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyals (SR) which is the Company's functional and Group's presentation currency.

2.4 Use of judgements and estimates

In preparing these condensed consolidated interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements as at 31 December 2023.

2.5 Material accounting policies

The accounting policies applied in these condensed financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2023.

2.6 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiary as at the reporting date. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the period are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three month and nine month periods ended 30 September 2024
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.6 Basis of consolidation (Continued)

If the Group loses control over its subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Non-Controlling Interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes are in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. The Group and its subsidiary have the same reporting periods.

3 NEW STANDARDS, AMENDMENTS AND INTERPRETATION

a) New and revised standards with no material effect on the condensed consolidated interim financial statements

Following are the recent changes to IFRSs that are required to be adopted in annual periods beginning on 1 January 2024:

- Non-current Liabilities with Covenants (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2024
- Classification of liabilities as current or non-current (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2024
- Lease liabilities in a Sale and Leaseback (Amendments to IFRS 16), effective for annual periods beginning on or after 1 January 2024
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7), effective for annual periods beginning on or after 1 January 2024

The application of the revised IFRSs did not have any material impact on the amounts reported for current and prior periods.

b) Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's interim financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- Lack of exchangeability (Amendments to IAS 21), effective for annual periods beginning on or after 1 January 2025
- Annual Improvements to IFRS Accounting Standards, effective for annual periods beginning on or after 1 January 2026 – Amendments to:
 - IFRS 1 First-time Adoption of International Financial Reporting Standards;
 - IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
 - IFRS 9 Financial Instruments;
 - IFRS 10 Consolidated Financial Statements; and
 - IAS 7 Statement of Cash flows
- Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures', effective for annual periods beginning on or after 01 January 2026
- IFRS 18 Presentation and Disclosure in Financial Statements, effective for annual periods beginning on or after 1 January 2027
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures', effective for annual periods beginning on or after 01 January 2027

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three month and nine month periods ended 30 September 2024
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

3 NEW STANDARDS, AMENDMENTS AND INTERPRETATION (CONTINUED)

b) Standards issued but not yet effective (continued)

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28), effective date yet to be determined.

The above-mentioned standards are not expected to have a material impact on the Group's condensed consolidated interim financial statements.

4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise of the following:

	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
Land	69,607	69,607
Buildings and civil works	463,732	483,556
Plant and equipment	1,172,502	1,244,791
Tools and transportation equipment	26,135	26,656
Furniture, fixtures and office equipment	4,902	4,878
Construction work in progress*	179,259	174,507
	1,916,137	2,003,995

The movement of property, plant and equipment is as follows:

	30 September 2024 (Un-Audited)	30 September 2023 (Un-Audited)
Carrying value at the beginning of the period / year	2,003,995	2,137,937
Additions	76,355	45,256
Disposals, net of accumulated depreciation	(7,361)	(30)
Depreciation for the period / year	(156,852)	(160,138)
Carrying value at the end of the period / year	1,916,137	2,023,025

* Construction work in progress majorly represents the ongoing construction work of a bulk railway loading facility and its railway link (collectively referred to as "the railway project") and other construction projects. On 18 July 2024, the Group signed a contract with an independent contractor to complete the said project in four months from the date of contract with a cost of SR 6.64 million. As at period ended 30 September 2024 and year ended 31 December 2023, majority of the project work has been completed and final connection is remaining.

5 INVESTMENT IN AN ASSOCIATE

Investment in an associate represents 33.33% share in Cement Product Industry Company Limited (CPI). CPI is a limited liability company registered and operating in the Kingdom of Saudi Arabia. CPI is engaged in the manufacturing of cement derivative products and other products necessary for manufacturing and packing cement. Share of profit for the period ended 30 September 2024 amounts to SR 3.50 million (30 September 2023: SR 1.98 million).

6 CASH AND CASH EQUIVALENTS

	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
Cash in hand	218	250
Murabaha investments (note 6.1)	6,500	10,000
Cash at banks	141,900	104,666
	148,618	114,916

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three month and nine month periods ended 30 September 2024
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

6 CASH AND CASH EQUIVALENTS (CONTINUED)

6.1 Murabaha investments represent placements with banks (related to a subsidiary) having original maturity of less than three months and carry interest rate of 3.65% - 5.65% per annum (31 December 2023: 5.90% per annum)

7 SHARE CAPITAL

The authorized, issued and paid up capital of the Company is SR 1,530 million which is divided into 153 million shares (31 December 2023: 153 million shares) of SR 10 each.

8 STATUTORY RESERVE

On 15 Shawal 1445H (corresponding to 24 April 2024 G), the General Assembly approved the transfer of statutory reserve balance amounting to SR 459 million to retained earnings and accordingly retained earnings and statutory reserves balances were adjusted in these condensed consolidated interim financial statements.

9 SHORT TERM LOANS

Short term loans represent Tawarruq facilities obtained from various local banks to meet the working capital requirements with a total facility limit amount of SR 2,330 million (31 December 2023: SR 2,000 million). The utilized balance as of 30 September 2024 amounted to SR 450 million (31 December 2023: SR 400 million). These facilities carry financial costs at SIBOR plus fixed margin and are consistent with the terms of each facility agreement that are secured by promissory notes issued by the Group and carry charges agreed with the facilities' providers.

The outstanding financing is classified under current liabilities in the condensed consolidated statement of financial position as these are repayable within 12 months from the reporting date.

10 ZAKAT

The Company has submitted its Zakat returns up to year ended 31 December 2023, settled Zakat as per the returns and obtained the required certificates and official receipts. The Company received a final Zakat assessment from Zakat, Tax and Customs Authority ("ZATCA") up to year 2020 which has been settled. However, the final assessment for the year 2021, 2022 & 2023 is still under review by ZATCA.

11 REVENUE

The Company generates revenue primarily from the sale of cement and clinker.

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market and major products. Revenue is recognised at point in time for all products.

	30 September 2024 (Un-Audited)	30 September 2023 (Un-Audited)
Primary geographic markets		
Local	820,672	700,172
Export	371,091	380,719
	1,191,763	1,080,891
Major product types		
Cement	1,000,202	904,288
Clinker	191,561	176,603
	1,191,763	1,080,891

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three month and nine month periods ended 30 September 2024
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

11 REVENUE (CONTINUED)

The following table provides information about trade receivables and advance from customers.

	30 September 2024 (Un-Audited)	31 December 2023 (Audited)
Trade receivables	<u>420,146</u>	<u>387,366</u>
Contract liabilities*	<u>28,508</u>	<u>26,699</u>

* Contract liabilities represent advance consideration received from customers for the products to be sold, for which revenue is recognized at point in time. This will be recognized as revenue when the Group delivers the products to the customers and their balances for advances are settled with the revenue made.

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three month and nine month periods ended 30 September 2024

(Expressed in Saudi Riyals in thousands, unless otherwise stated)

12 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include Group's shareholders, associated companies and their shareholders, key management personnel, Board of Directors, and entities controlled, jointly controlled or significantly influenced by such parties. The following table provides the total amount of transactions that have been entered into with related parties during the nine-month period ended 30 September 2024 and 30 September 2023 and related party balances as at 30 September 2024 and 31 December 2023.

Related party	Relationship	Nature of transaction	Nine-month period		Ending balance		
			Amount of transactions		30 September	31 December	
			30 September 2024	30 September 2023	2024	2023	
				(Un-Audited)	(Un-Audited)	(Un-Audited)	(Audited)
Cement Product Industry Company Limited	Associate	Purchases of raw materials	22,252	33,838	(699)		-
Wataniya Insurance Company	Common directorship	Insurance of property, plant and equipment	6,217	8,165	(219)		(31)

Terms and conditions of transactions with related parties

Transactions with related parties are made in the ordinary course of business. Outstanding balances at the period ended 30 September 2024 and 31 December 2023 are unsecured and settled in cash and are recorded in trade payables in the condensed consolidated statement of financial position. There have been no guarantees provided to amounts to related parties.

Prices and terms for the above transactions are approved by the Group's management.

Key management personnel	30 September 2024 (Un-Audited)	30 September 2023 (Un-Audited)
Short term employment benefits	13,457	13,316
Post-employment benefits	827	858
	14,284	14,174

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three month and nine month periods ended 30 September 2024
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

13 COMMITMENTS

- a) As of 30 September 2024, the capital expenditure contracted by the Company but not incurred was approximately SR 91.96 million (31 December 2023: SR 26.64 million).
- b) The Company's bankers have given guarantees, on behalf of the Company amounted to SR 125.44 million (31 December 2023: SR 91.97 million) in respect of performance guarantees.
- c) UCC's bankers have issued guarantees, on behalf of UCC, in favour of various suppliers against purchase and services obtained in the normal course of business amounted to SR 2.52 million (31 December 2023: SR 2.52 million).

14 SEGMENT INFORMATION

A segment is a distinguishable component of the Group that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

The Group's operations are related to two operating geographical segments which are Saudi Cement Company operating in the Kingdom of Saudi Arabia and United Cement Company operating in Kingdom of Bahrain. Both segments are engaged in cement manufacturing and are sold to local and foreign customers. Accordingly, segment analysis by geography are presented as follows:

	Kingdom of Saudi Arabia	Kingdom of Bahrain	Elimination	Total
For the nine-month period ended 30 September 2024 (Un-Audited)				
External revenue	1,157,488	34,275	-	1,191,763
Inter-segment revenue	17,847	-	(17,847)	-
Total revenue	1,175,335	34,275	(17,847)	1,191,763
Cost of revenue	(699,385)	(37,144)	17,847	(718,682)
Profit / (loss) before zakat for the period	314,783	(7,137)	7,137	314,783
Finance charges	(21,625)	(157)	-	(21,782)
Depreciation	(152,433)	(4,419)	-	(156,852)
Depreciation – right-of-use assets	(4,809)	(76)	-	(4,885)
Amortization – intangible assets	(446)	-	-	(446)
Share of profit of investment in an associate	3,503	-	-	3,503
Zakat expense	(13,500)	-	-	(13,500)
For the nine-month period ended 30 September 2023 (Un-audited)				
External revenue	1,052,603	28,288	-	1,080,891
Inter-segment revenue	14,872	-	(14,872)	-
Total revenue	1,067,475	28,288	(14,872)	1,080,891
Cost of revenue	(627,289)	(33,201)	14,872	(645,618)
Profit / (loss) before zakat for the period	277,238	(244)	244	277,238
Finance charges	(20,989)	(155)	-	(21,144)
Depreciation	(154,619)	(5,519)	-	(160,138)
Depreciation – right-of-use assets	(3,697)	(75)	-	(3,772)
Amortization – intangible assets	(430)	-	-	(430)
Share of profit of investment in an associate	1,985	-	-	1,985
Zakat expense	(13,500)	-	-	(13,500)

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three month and nine month periods ended 30 September 2024
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

14 SEGMENT INFORMATION (CONTINUED)

	Kingdom of Saudi Arabia	Kingdom of Bahrain	Elimination	Total
As at 30 September 2024 (Un-Audited)				
Total assets	3,237,650	42,020	(30,588)	3,249,082
Total liabilities	1,121,306	17,943	(6,511)	1,132,738
As at 31 December 2023 (Audited)				
Total assets	3,204,347	46,221	(36,436)	3,214,132
Total liabilities	1,045,128	14,543	(4,850)	1,054,821

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the condensed consolidated interim financial statements are categorized within the fair value hierarchy.

This is 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.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2. If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The carrying values of other financial assets and liabilities in the condensed consolidated interim statement of financial position approximate to their fair values.

During the period ended 30 September 2023, the investment of SR 3.19 million representing 4.54% equity stake in Banz Group B.S.C. (c) was sold for an amount of SR 12 million and consequently, the investment was derecognized and the gain on disposal of this investment was recognized in the condensed consolidated statement of profit and loss and other comprehensive income for the same period.

16 DIVIDENDS

On 15 Shawwal 1445H (corresponding to 24 April 2024), the General Assembly approved the Board of Directors' recommendation to distribute cash dividend amounted to SR 1 per share (SR 153 million in total) for the second half of 2023. Payment of this dividend distribution was commenced on 29 Shawwal 1445H (corresponding to 8 May 2024).

On 15 Shawwal 1445H (corresponding to 24 April 2024), the General Assembly authorized the Board of Directors to distribute interim cash dividend. Accordingly, on 28 Dhu al-Qa'dah 1445H (05 June 2024), the Board of Directors has resolved to distribute interim cash dividend amounting to SR 1.25 per share (SR 191.25 million in total) for the first half of 2024. Payment of this dividend distribution was commenced on 20 Dhul-Hijjah 1445H (corresponding to 26 June 2024).

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three month and nine month periods ended 30 September 2024
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

16 DIVIDENDS (CONTINUED)

On 22 Ramadan 1444H (corresponding to 13 April 2023), the General Assembly approved the Board of Directors' resolution to distribute cash dividend amounted to SR 1.75 per share (SR 267.75 million in total) for the second half of 2022 and SR 1.50 per share (SR 229.50 million in total) for the first half of 2022.

On 22 Ramadan 1444H (corresponding to 13 April 2023), the General Assembly authorized the Board of Directors to distribute interim cash dividend. Accordingly, on 18 Dhu al-Qa'dah 1444 (07 June 2023), the Board of Directors has resolved to distribute interim cash dividend amounting to SR 1.50 per share (SR 229.50 million in total) for the first half of 2023. Payment of this dividend distribution was commenced on 02 Dhul-Hijjah 1444 (20 June 2023).

Dividend payable as at 30 September 2024 amounted to SR 226.41 million (31 December 2023: SR 226.09 million) represents unclaimed dividend for prior years.

17 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

The following reflects the profit and share capital data used in the basic and diluted earnings per share computations:

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
	<u>30 September</u> <u>2024</u> <u>(Un-Audited)</u>	<u>30 September</u> <u>2023</u> <u>(Un-Audited)</u>	<u>30 September</u> <u>2024</u> <u>(Un-Audited)</u>	<u>30 September</u> <u>2023</u> <u>(Un-Audited)</u>
Profit attributable to equity holders	100,179	68,260	301,283	277,238
Number of shares outstanding in '000	153,000	153,000	153,000	153,000
Earnings per share in SR	0.65	0.45	1.97	1.81

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

18 EVENTS AFTER THE REPORTING DATE

Except as disclosed in these condensed consolidated interim financial statements, there have been no significant subsequent events since the period ended 30 September 2024 till the date of authorization for issuance and approval of these condensed consolidated interim financial statements by the Board of Directors that require an adjustment or disclosure in these condensed consolidated interim financial statements.

19 APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were authorized for issue and approved by the Board of Directors on 4 November 2024 G corresponding to 2 Jumada Al-Awwal 1446 H.