

SAUDI CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2023
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 2023

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 -13



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 16، برج البرغش
6189 طريق الأمير تركي، الكورنيش
ص.ب 4803
الخبير 34412 - 3146
المملكة العربية السعودية
سجل تجاري رقم 2051062328

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 2023 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 2023;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2023;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2023;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2023; 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 SAR40,000,000 (previously known as "KPMG Al Fozan & Partners Certified Public Accountants") 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. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (40,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.



Conclusion

For KPMG Professional Services

Nasser Ahmed Al Shatary
License no. 454




2/2

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2023
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

		30 September 2023 (Un-Audited)	31 December 2022 (Audited)
	Note		
Assets			
Non-current assets			
Property, plant and equipment	4	2,023,025	2,137,937
Right-of-use assets	5	43,964	18,849
Intangible assets		11,032	11,462
Investment in an associate	6	48,397	46,494
Equity investment designated at fair value through other comprehensive income (FVOCI)		-	3,187
Total non-current assets		2,126,418	2,217,929
Current assets			
Inventories		595,853	552,178
Trade receivables	11	405,121	380,026
Prepayments and other current assets		33,206	35,992
Cash and cash equivalents	7	64,454	91,476
Total current assets		1,098,634	1,059,672
Total assets		3,225,052	3,277,601
Equity and liabilities			
Equity			
Share capital	8	1,530,000	1,530,000
Statutory reserve		459,000	459,000
Fair value reserve		-	327
Retained earnings		83,867	303,635
Total equity		2,072,867	2,292,962
Liabilities			
Non-current liabilities			
Employees' benefits		109,003	106,248
Lease liabilities	5	44,449	16,634
Provision for site restoration	18	2,946	-
Total non-current liabilities		156,398	122,882
Current liabilities			
Lease liabilities – current portion	5	1,417	6,071
Short term loans	9	450,000	325,000
Trade payables		51,940	134,116
Dividend payable	16	232,525	238,174
Accruals and other current liabilities		242,923	138,245
Provision for Zakat	10	16,982	20,151
Total current liabilities		995,787	861,757
Total liabilities		1,152,185	984,639
Total equity and liabilities		3,225,052	3,277,601


Designated Member / CEO
Mohammed A. AlGarni


Finance Manager
Evan Abaza


The accompanying notes from 1 to 20 on pages 5 to 13 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 2023
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

		<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
		<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	<u>Note</u>	<u>(Un-Audited)</u>	<u>(Un-Audited)</u>	<u>(Un-Audited)</u>	<u>(Un-Audited)</u>
Revenue	11	315,003	328,051	1,080,891	992,084
Cost of revenue		(200,582)	(203,694)	(645,618)	(621,019)
Gross profit		114,421	124,357	435,273	371,065
Selling and distribution expenses		(33,768)	(19,488)	(99,081)	(66,605)
General and administrative expenses		(19,975)	(19,122)	(58,026)	(55,693)
Operating profit		60,678	85,747	278,166	248,767
Other income		18,897	2,069	22,889	13,271
Gain on sale of investment		-	-	8,842	-
Share of profit of investment in an associate	6	1,842	2,716	1,985	7,326
Finance charges		(8,657)	(5,381)	(21,144)	(10,550)
Profit before zakat		72,760	85,151	290,738	258,814
Zakat	10	(4,500)	(4,500)	(13,500)	(14,500)
Profit for the period		68,260	80,651	277,238	244,314
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)	(59)
Fair value change in equity investment designated at FVOCI		-	-	-	(207)
Total other comprehensive loss		-	-	(83)	(266)
Total comprehensive income for the period		68,260	80,651	277,155	244,048
Earnings per share (Saudi Riyals)					
Basic and diluted earnings per share attributable to the shareholders of the Company	17	0.45	0.53	1.81	1.60


Designated Member / CEO
Mohammed A. AlGarni


Finance Manager
Evan Abaza

The accompanying notes from 1 to 20 on pages 5 to 13 form an integral part of these condensed consolidated interim financial statements.

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine month period ended 30 September 2023
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

	Attributable to shareholders of the Company				
	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Total equity
Balance at 1 January 2022 (Audited)	1,530,000	459,000	673	443,619	2,433,292
<i>Total comprehensive income for the period</i>					
Profit for the period	-	-	-	244,314	244,314
Other comprehensive loss	-	-	(207)	(59)	(266)
Total comprehensive income for the period	-	-	(207)	244,255	244,048
Dividends (note 16)	-	-	-	(535,500)	(535,500)
Balance at 30 September 2022 (Un-Audited)	1,530,000	459,000	466	152,374	2,141,840
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 (note 15)	-	-	(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)	1,530,000	459,000	-	83,867	2,072,867


Designated Member / CEO
Mohammed A. AlGarni


Finance Manager
Evan Abaza

The accompanying notes from 1 to 20 on pages 5 to 13 form an integral part of these condensed consolidated interim financial statements.

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine month period ended 30 September 2023
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

		30 September 2023 (Un-Audited)	30 September 2022 (Un-Audited)
	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		277,238	244,314
Adjustments for:			
Depreciation - property, plant and equipment	4	160,138	165,096
Depreciation - right-of-use assets		3,772	5,503
Amortization - intangible assets		430	2,807
Share of profit of investment in an associate – net of zakat		(1,985)	(7,326)
Zakat		13,500	14,500
Provision for employees' benefits		7,884	7,058
Finance charges		21,144	10,550
Gain on sale of FVOCI investment		(8,842)	-
Provision for site restoration		2,946	-
Provision for slow moving and obsolete inventories		7,695	-
Provision for allowance for expected credit losses		177	-
Loss on disposal of property, plant and equipment		9	-
		484,106	442,502
Changes in:			
Inventories		(51,370)	(44,319)
Trade receivables		(25,272)	(8,126)
Prepayments and other current assets		2,786	(8,555)
Trade payables		(82,176)	(9,523)
Accruals and other current liabilities		104,678	60,477
Retention payable		-	(1,400)
Cash generated from operating activities		432,752	431,056
Finance charges paid		(20,448)	(9,843)
Zakat paid		(16,669)	(17,011)
Employees benefits paid		(5,129)	(8,108)
Net cash from operating activities		390,506	396,094
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(45,196)	(57,303)
Proceeds from sale of property, plant and equipment		21	-
Proceeds from sale of FVOCI investment		12,029	-
Net cash used in investing activities		(33,146)	(57,303)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liability		(6,483)	(6,258)
Proceeds from short term loans		450,000	250,000
Repayment of short term loans		(325,000)	-
Dividend paid		(502,899)	(530,597)
Net cash used in financing activities		(384,382)	(286,855)
Net change in cash and cash equivalents		(27,022)	51,936
Cash and cash equivalents at the beginning of the period		91,476	81,496
Cash and cash equivalents at the end of the period		64,454	133,432
NON CASH TRANSACTIONS			
Addition to right-of-use assets and lease liabilities		28,887	5,486

Designated Member / CEO
Mohammed A. AlGarni

Finance Manager
Evan Abaza

The accompanying notes from 1 to 20 on pages 5 to 13 form an integral part of these condensed consolidated interim financial statements.

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 2023

(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 2023 (Un-Audited)	31 December 2022 (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.

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 is in process of assessing the impact of the New Companies Law and will amend its By-Laws for any changes to align the By-Laws to the provisions of the Law.

2 BASIS OF PREPARATION AND SIGNIFICANT 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 2023
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT 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 2022 ("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 and equity investment designated at FVOCI which is measured at fair value.

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.

2.5 Significant 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 2022.

2.6 Basis of consolidation

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Parent Company's voting rights and potential voting right.

The Parent Company re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the interim financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 2023

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Basis of consolidation (Continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

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 2023:

- IFRS 17 insurance contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimate (Amendments to IAS 8);
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes;

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.

- 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.
- Non-current Liabilities with Covenants (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2024.
- 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.
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7, effective for annual periods beginning on or after 1 January 2024.
- Lack of Exchangeability – Amendments to IAS 21, effective for annual periods beginning on or after 1 January 2025.

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

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 2023
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

4 PROPERTY, PLANT AND EQUIPMENT

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

	30 September 2023 (Un-Audited)	31 December 2022 (Audited)
Carrying value at the beginning of the period / year	2,137,937	2,283,292
Additions	45,196	74,718
Disposals, net of accumulated depreciation	30	(31)
Depreciation for the period / year	<u>(160,138)</u>	<u>(220,042)</u>
Carrying value at the end of the period / year	<u>2,023,025</u>	<u>2,137,937</u>

Property, plant and equipment includes construction work in progress which 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. In March 2022, the Group received an offer letter for additional cost of SR 7.50 million to complete the project. As at period ended 30 September 2023, majority of the project work has been completed and final connection is remaining.

5 LEASES

The Group entered into a contract for transportation services for its employees during the period. Under the contract, the contractor is obligated to provide buses and crews necessary for the transportation of the employees. This contract will continue to be in force till 31 July 2031 for a period of 8 years and 4 months.

6 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. The company is engaged in the manufacturing of cement derivative products and other products necessary for manufacturing and packing cement.

7 CASH AND CASH EQUIVALENTS

	30 September 2023 (Un-Audited)	31 December 2022 (Audited)
Cash at banks	54,247	91,206
Cash in hand	207	270
Murabaha investments	<u>10,000</u>	<u>-</u>
	<u>64,454</u>	<u>91,476</u>

Murabaha investments represent placements with banks having original maturity of less than three months and carry profits at commercial rates.

8 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 2022: 153 million shares) of SR 10 each.

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 2,000 million (31 December 2022: SR 2,000 million). The utilized balance as of 30 September 2023 amounted to SR 450 million (31 December 2022: SR 325 million). These facilities carry financial costs in excess of SIBOR 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.

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 2023
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

10 ZAKAT

The Company has submitted its zakat returns up to year ended 31 December 2022, 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 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 2023 (Un-Audited)	30 September 2022 (Un-Audited)
Primary geographic markets		
Local	700,172	754,319
Export	380,719	237,765
	1,080,891	992,084
Major product types		
Cement	904,288	877,637
Clinker	176,603	114,447
	1,080,891	992,084

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

	30 September 2023 (Un-Audited)	31 December 2022 (Audited)
Trade receivables	405,121	380,026
Contract liabilities*	24,384	20,326

* 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 deliver 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 2023
(Expressed in Saudi Riyals in thousands, unless otherwise stated)

12 RELATED PARTY TRANSACTIONS AND BALANCES

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 2023 and 30 September 2022 and related parties balances as at 30 September 2023 and 31 December 2022.

Related party	Relationship	Nature of transaction	Nine-month period		Ending balance	
			Amount of transaction			
			30 September 2023	30 September 2022	30 September 2023	31 December 2022
			(Un-Audited)	(Un-Audited)	(Un-Audited)	(Audited)
Cement Product Industry Company Limited	Associate	Purchases of raw materials	33,838	29,368	715	-
Wataniya Insurance Company	Common directorship	Insurance of property, plant and equipment	8,165	7,548	224	9

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 2023 and the year ended 31 December 2022 are unsecured and settled in cash. The balances related to Cement Product Industry Company Limited and Wataniya Insurance Company are classified as trade payable in the statement of financial position. There have been no guarantees provided to amounts due to related parties.

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

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 2023****(Expressed in Saudi Riyals in thousands, unless otherwise stated)****13 COMMITMENTS**

- a) As of 30 September 2023, the capital expenditure contracted by the Company but not incurred was approximately SR 34.37 million (31 December 2022: SR 20.90 million).
- b) The Company's bankers have given guarantees, on behalf of the Company amounted to SR 82.55 million (31 December 2022: SR 89.60 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 2022: SR 17.24 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 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) 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)
For the nine-month period ended 30 September 2022 (Un-audited)				
External revenue	945,300	46,784	-	992,084
Inter-segment revenue	27,918	-	(27,918)	-
Total revenue	973,218	46,784	(27,918)	992,084
Cost of revenue	(601,759)	(47,178)	27,918	(621,019)
Profit / (loss) for the period	244,851	(4,357)	3,820	244,314
Finance charges	(10,342)	(208)	-	(10,550)
Depreciation	(160,243)	(4,123)	(730)	(165,096)
Depreciation – right-of-use assets	(5,306)	(197)	-	(5,503)
Amortization – intangible assets	(2,807)	-	-	(2,807)
Share of profit of investment in an associate	7,326	-	-	7,326
Zakat expense	(14,500)	-	-	(14,500)

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 2023
(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 2023 (Un-Audited)				
Total assets	3,214,919	51,712	(41,579)	3,225,052
Total liabilities	1,139,720	16,912	(4,447)	1,152,185
As at 31 December 2022 (Audited)				
Total assets	3,268,864	61,006	(52,269)	3,277,601
Total liabilities	972,597	25,962	(13,920)	984,639

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is 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. As of 31 December 2022, the Group's equity investment designated at FVOCI was determined at level 3 of the fair value hierarchy. However, during the period this investment was disposed off and the related fair value reserve was transferred to retained earnings. The carrying values of other financial assets and liabilities in the condensed consolidated interim statement of financial position approximate to their fair values.

16 DIVIDENDS

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).

On 09 Ramadan 1443H (corresponding to 10 April 2022), the General Assembly approved the Board of Directors' proposal to distribute cash dividend amounting to SR 2 per share (SR 306 million in total) for the second half of 2021 and SR 1.50 per share (SR 229.50 million in total) for the first half of 2021.

Dividend payable as at 30 September 2023 amounted to SR 232.53 million (31 December 2022: SR 238.17 million) represents unclaimed dividend for prior years.

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 2023****(Expressed in Saudi Riyals in thousands, unless otherwise stated)****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:

	Three-month period ended		Nine-month period ended	
	30 September	30 September	30 September	30 September
	2023	2022	2023	2022
	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
Profit attributable to equity holders	68,260	80,651	277,238	244,314
Number of shares outstanding in '000	153,000	153,000	153,000	153,000
Earnings per share in SR	0.45	0.53	1.81	1.60

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

18 PROVISION FOR SITE RESTORATION

The Group recognised provision for site restoration amounting to SR 2.95 million (31 December 2022: Nil). The estimated amount is recognized by discounting to its present value and charged to cost of revenue.

19 EVENTS AFTER THE REPORTING DATE

There have been no significant subsequent events since the period ended 30 September 2023 till the date of authorization for issuance and approval of these condensed consolidated interim financial statements by the Board of Directors that require either an adjustment or disclosure in these condensed consolidated interim financial statements.

20 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 2 November 2023 G corresponding to 18 Rabi Al-Akhar 1445 H.