

TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)

**CONDENSED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and six-month periods ended 30 June 2024
with

INDEPENDENT AUDITOR'S REVIEW REPORT



KPMG Professional Services

Zahrán Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

مركز زهران للأعمال
شارع الأمير سلطان
ص.ب. ٥٥٠٧٨
جده ٢١٥٣٤
المملكة العربية السعودية
سجل تجاري رقم 4030290792
المركز الرئيسي في الرياض

Independent Auditor's Report on Review of Condensed Interim Financial Statements

To Shareholders of Tabuk Cement Company
A Saudi Joint Stock Company
Tabuk – Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying 30 June 2024 condensed interim financial statements of Tabuk Cement Company (the "Company"), which comprise of:

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

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

Scope of review

We conducted our review in accordance with 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 interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

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.

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Commercial Registration of the headquarters in Riyadh is 1010425494.



Independent Auditor's Report on Review of Condensed Interim Financial Statements (continued)

To Shareholders of Tabuk Cement Company
A Saudi Joint Stock Company
Tabuk – Kingdom of Saudi Arabia

Other Matter

The interim condensed financial statements of the Company for the three and six months period ended 30 June 2023, excluding the adjustments described in Note 18 to the interim condensed financial statements, were reviewed by another auditor who expressed an unmodified conclusion on those interim condensed financial statements on 8 August 2023 and the financial statements of the Company for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 March 2024.

KPMG Professional Services

Nasser Ahmed Al Shutairy
License No. 454



Jeddah, 12 August 2024
Corresponding to 8 Safar 1446H

TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)



CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

(Expressed in Saudi Arabian Riyals unless otherwise stated)

	Note	30 June 2024 (Unaudited)	31 December 2023 (Audited)	1 January 2023 (Audited) (Restated note 18)
Assets				
Property, plant and equipment	6	892,929,916	907,970,529	950,872,509
Investment properties		72,279,440	72,279,440	72,279,440
Equity investment at Fair Value through Other Comprehensive Income (FVOCI)	7	283,125,639	287,111,819	295,201,417
Intangible assets		5,154,056	5,959,378	4,874,048
Right-of-use assets		5,504,712	6,422,212	--
Derivative financial instrument	8	5,406,379	7,179,800	11,146,526
Non-current assets		1,264,400,142	1,286,923,178	1,334,373,940
Inventories	9	262,546,017	282,355,709	266,764,185
Trade receivables		72,781,593	23,677,340	17,627,304
Prepayment and other debit balances		6,447,087	13,805,352	10,931,249
Cash and cash equivalents	10	54,480,268	36,894,267	46,953,691
Current assets		396,254,965	356,732,668	342,276,429
Total assets		1,660,655,107	1,643,655,846	1,676,650,369
Shareholders' equity and liabilities				
Equity				
Share capital	1	900,000,000	900,000,000	900,000,000
Statutory reserve		233,592,463	233,592,463	231,618,097
Other reserves		119,183,268	124,942,869	136,999,193
Retained earnings		57,865,366	32,911,003	19,993,867
Total equity		1,310,641,097	1,291,446,335	1,288,611,157
Liabilities				
Long-term loan	11	61,201,740	91,591,185	151,471,216
Lease liabilities – long term		3,964,828	4,843,628	--
Employees' defined benefit obligations		18,296,193	17,377,129	16,135,397
Non-current liabilities		83,462,761	113,811,942	167,606,613
Current portion of long-term loan	11	63,470,883	63,470,883	63,470,883
Lease liabilities – short term		1,754,572	1,725,597	--
Trade payables		17,473,423	17,049,002	17,682,479
Accruals and other credit balances		29,897,112	20,262,324	12,223,887
Dividends payable to shareholders	12	142,074,094	119,691,529	120,371,949
Provision for zakat	13	11,881,165	16,198,234	6,683,401
Current liabilities		266,551,249	238,397,569	220,432,599
Total liabilities		350,014,010	352,209,511	388,039,212
Total equity and liabilities		1,660,655,107	1,643,655,846	1,676,650,369

These condensed interim financial statements were approved by the Board of Directors on 7th August 2024 and are signed on behalf by:

Aadhil Mohamed
Financial Manager

Ali bin Mohamed Al-Qahtani
CEO

Tareq bin Khalid Al-Anqari
(Authorized) BOD Member

The attached notes 1 to 20 of these condensed interim financial statements.

TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)




CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME


For the three-month and six-month periods ended 30 June 2024
(Expressed in Saudi Arabian Riyals unless otherwise stated)

	Note	For the three-months period ended 30 June		For the six months period ended 30 June	
		2024 (Unaudited)	2023 (Unaudited) (Restated note 18)	2024 (Unaudited)	2023 (Unaudited) (Restated note 18)
Revenues		85,438,642	58,379,718	172,484,705	144,663,781
Cost of revenues		(56,131,564)	(43,420,033)	(120,408,297)	(99,093,575)
Gross profit		29,307,078	14,959,685	52,076,408	45,570,206
Selling and marketing expenses		(1,021,040)	(1,146,318)	(2,255,198)	(2,153,476)
General and administrative expenses		(6,929,062)	(6,147,799)	(13,822,628)	(13,068,783)
Impairment on trade receivables – allowance for expected credit losses		(324,088)	--	(324,088)	--
Operating income		21,032,888	7,665,568	35,674,494	30,347,947
Other income	14	12,797,716	5,480,463	18,114,967	5,480,463
Finance cost		(1,694,997)	(2,359,229)	(3,675,501)	(4,936,297)
Murabaha income		264,331	130,000	264,331	321,083
Profit before zakat		32,399,938	10,916,802	50,378,291	31,213,196
Zakat	13	(1,060,045)	(950,000)	(2,923,928)	(1,900,000)
Profit for the period		31,339,893	9,966,802	47,454,363	29,313,196
Other Comprehensive income					
<i>Items that will not be reclassified under profit or loss:</i>					
Unrealized losses on investments in equity instruments at FVOCI		(3,986,180)	--	(3,986,180)	--
Movement in fair value of cash flow hedges		(828,016)	403,522	(1,773,421)	(576,606)
Total other comprehensive (Loss) income		(4,814,196)	403,522	(5,759,601)	(576,606)
Total comprehensive income		26,525,697	10,370,324	41,694,762	28,736,590
Earnings per share:					
Basic and diluted earnings per share	15	0.35	0.11	0.53	0.33

These condensed interim financial statements were approved by the Board of Directors on 7th August 2024 and are signed on behalf by:


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Financial Manager


Ali bin Mohamed Al-Qahtani
CEO


Tareq bin Khalid Al-Anqari
(Authorized) BOD Member

The attached notes 1 to 20 of these condensed interim financial statements.

TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six-month period ended June 30, 2024

(Expressed in Saudi Arabian Riyals unless otherwise stated)

	Share capital	Statutory reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2023 (audited) (as previously reported)	900,000,000	231,618,097	136,999,193	15,262,440	1,283,879,730
Prior year adjustments (note 18)	--	--	--	4,731,427	4,731,427
Balance at 1 January 2023 (Restated) (note 18)	900,000,000	231,618,097	136,999,193	19,993,867	1,288,611,157
Profit for the period	--	--	--	29,313,196	29,313,196
Other comprehensive losses (Restated) (note 18)	--	--	(576,606)	--	(576,606)
Total comprehensive income for the period (Restated) (note 18)	--	--	(576,606)	29,313,196	28,736,590
Balance at 30 June 2023 (unaudited)	900,000,000	231,618,097	136,422,587	49,307,063	1,317,347,747
Balance at 1 January 2024 (audited)	900,000,000	233,592,463	124,942,869	32,911,003	1,291,446,335
Profit for the period	--	--	--	47,454,363	47,454,363
Other comprehensive losses	--	--	(5,759,601)	--	(5,795,601)
Total comprehensive income for the period	--	--	(5,759,601)	47,454,363	41,694,762
Dividends (note 12)	--	--	--	(22,500,000)	(22,500,000)
Balance at 30 June 2024 (unaudited)	900,000,000	233,592,463	119,183,268	57,865,366	1,310,641,097

These condensed interim financial statements were approved by the Board of Directors on 7th August 2024 and are signed on behalf by:



Aadhil Mohamed
Financial Manager



Ali bin Mohamed Al-Qahtani
CEO

Tareq bin Khalid Al-Anqari
(Authorized) BOD Member



The attached notes 1 to 20 of these condensed interim financial statements,

TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)



CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the six-month period ended June 30, 2024

(Expressed in Saudi Arabian Riyals unless otherwise stated)

	Note	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Cash flow from operating activities:			
Profit for the period before Zakat		50,378,291	31,213,196
Adjustments for:			
Depreciation on property, plant and equipment	6	23,869,034	29,465,054
Property, plant and equipment disposal		3,575	--
Amortization of intangible assets		805,322	--
Amortization of right-of-use assets		917,500	--
Finance cost		3,675,501	5,257,379
Murabaha income		(264,331)	(321,083)
Impairment on trade receivables – allowance for expected credit losses		324,088	--
Reversal of impairment of inventory	9	(141,320)	--
Employee defined benefit obligation charge for the period		1,810,155	1,733,744
		<u>81,377,815</u>	<u>67,348,290</u>
Changes in working capital:			
Inventories		19,951,012	(7,102,496)
Trade receivables		(49,428,341)	(16,122,370)
Prepayments and other debit balances		7,358,265	(7,128,494)
Trade payables		424,421	(1,055,237)
Accruals and other credit balances		9,634,788	4,139,613
Cash generated from operating activities		<u>69,317,960</u>	<u>40,079,306</u>
Employee defined benefit paid		(891,091)	(83,549)
Zakat Paid	13	(7,240,997)	(1,133,248)
Net cash generated from operating activities		<u>61,185,872</u>	<u>38,862,509</u>
Cash flows from investing activities:			
Additions of property, plant and equipment	6	(8,831,996)	(6,791,106)
Addition to intangible assets		--	(1,122,860)
Murabaha income received		264,331	321,083
Net cash used in investing activities		<u>(8,567,665)</u>	<u>(7,592,883)</u>
Cash flows from financing activity:			
Paid from loans		(31,735,442)	(31,735,442)
Payment of lease liabilities		(849,825)	--
Payment of lease liabilities interest		(202,395)	--
Finance cost paid		(2,127,109)	(3,308,663)
Dividends paid	12	(117,435)	(354,513)
Net cash used in financing activities		<u>(35,032,206)</u>	<u>(35,398,618)</u>
Change in cash and cash equivalents during the period		17,586,001	(4,128,992)
Cash and cash equivalents beginning of the period	10	36,894,267	46,953,691
Cash and cash equivalents at the end of the period		<u>54,480,268</u>	<u>42,824,699</u>

Additional noncash information:

Transfer from projects in progress to property, plant and equipment

7,880,371 3,878,924

Transfer from inventories to property, plant and equipment

2,169,423 5,322,102

These condensed interim financial statements were approved by the Board of Directors on 7th August 2024 and are signed on behalf by:

Aadhil Mohamed
Financial Manager

Ali bin Mohamed Al-Qahtani
CEO

Tareq bin Khalid Al-Anqari
(Authorized) BOD Member

The attached notes 1 to 20 of these condensed interim financial statements.

TABUK CEMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended June 30, 2024

(Expressed in Saudi Arabian Riyals unless otherwise stated)

1. GENERAL INFORMATION

Tabuk Cement Company (the Company) is a Saudi joint stock company established under the regulations for companies in the Kingdom of Saudi Arabia issued by Royal Decree No, (M/6) dated 30 Jumada Thani 1405H (corresponding to 22 March 1985), The Company is registered in the city of Tabuk under Commercial Registration No, 3550012690 on 25 Safar 1415H (corresponding to 2 August 1994).

The Company's main activity is as follows:

1. Production of ordinary cement (Portland)
2. Production of salt-resistant cement
3. Production of agglomerated cement (clinker)

The Company operates under industrial license No, 42110217153 issued on 21 Safar 1445H (corresponding to 6 September 2023) which expires on 16 Rabi' Al-akhir 1450H (corresponding to 6 September 2028).

As at 30 June 2024, the authorized, subscribed and fully-paid-up share capital SR 900 million (31 December 2023: SR 900 million) divided into 90 million ordinary shares (31 December 2023: 90 million shares) of SR 10 each (31 December 2023: SR 10).

The new Companies Law issued by Royal Decree M/132 dated 1/12/1443 AH (corresponding to June 30, 2022) (hereinafter referred to as "the Law") entered into force on 26/6/1444 AH (corresponding to January 19, 2023). For some provisions of the Law, full compliance with the application is expected to be achieved no later than two years from 26/6/1444 AH (corresponding to January 19, 2023). The Extraordinary General Assembly approved on June 26, 2024 the amendment of the Company's Articles of Association and work is underway to amend the Company's Articles of Association in accordance with any changes to align the articles and provisions of the new Companies Law.

The registered address of the Company is:

TCC Building
Al-Dhabab area, north of Dhaba City
Beside Dhaba Port, near Duba Sea Port
P.O. Box 122, Tabuk 71451
Kingdom of Saudi Arabia

2. BASIS OF PREPERATION

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants. These interim condensed financial statements do not include all the information required in the annual financial statements. And must be read with the last annual financial statements of the Company as at 31 December 2023 ("Last Annual Financial Statements"). however, some accounting policies and explanatory notes have been included to explain the events and transactions that are important to understand the changes in the financial position and financial performance of the Company from the financial statements of the previous year. In addition, the results for the six-month period ended 30 June 2024 are not necessarily indicative of the results that may be expected for the year ending 31 December 2024.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended June 30, 2024

(Expressed in Saudi Arabian Riyals unless otherwise stated)

2. BASIS OF PREPERATION (continued)

b) Basis of measurement

The condensed interim financial statements have been prepared on the historical cost basis except for the following significant items included in the condensed statement of financial position:

- Employee defined benefit obligations, which are measured at the present value of future obligations using the projected unit credit method using the accrual basis of accounting and the going concern concept,
- Investment in equity instruments is measured at fair value through other comprehensive income.
- The derivative financial instrument is measured at fair value through other comprehensive income.

c) Functional and presentation currency

These condensed interim financial statements are presented in Saudi Arabian Riyals (SR) which is the functional and presentation currency of the Company.

3. USE OF JUDGEMENTS AND ESTIMATES

The preparation of the condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and actual results may differ from these estimates,

The significant judgments made by management in applying the Company's accounting policies are consistent with those disclosed in the latest annual financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the interim condensed financial statements are the same as the accounting policies applied in preparing the Company's annual financial statements for the year ended 31 December 2023.

The new issuances of standards, amendments and interpretations effective from 1 January 2024 did not have a material impact on the condensed financial statements (see Note 5).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended June 30, 2024

(Expressed in Saudi Arabian Riyals unless otherwise stated)

5. NEW STANDARDS AND AMENDMENTS ISSUED

5.1 New Standards, Amendments and Interpretations

The following are the interpretations recently introduced to IFRSs that are effective for annual periods beginning on 1 January 2024:

<u>Standard/Interpretation</u>	<u>Description</u>	<u>Effective date</u>
IAS 1	Classification of Liabilities as Current or Non-Current (Amendments on IAS 1)	1 January 2024
IAS 1	Non-Current Liabilities with Commitments (Amendments on IAS 1)	1 January 2024
IFRS 16	Lease Liabilities in Sale and Leaseback Transactions (Amendments on IFRS 16)	1 January 2024
IAS 7 and IFRS 7	Supplier Financing Arrangements. (Amendments on IAS 7 and IFRS 7)	1 January 2024

The adoption of the revised standards did not materially affect the financial position or results of operations for the current or prior periods.

5.2 Standards issued but not effective yet

The following standards, interpretations and amendments have been issued but are not yet effective up to the date of issuance of these interim condensed financial statements.

The Company is currently evaluating the implications of adoption on the Company's interim condensed financial statements. The Company intends to adopt these standards, if applicable, when they become effective.

<u>Standard/Interpretation</u>	<u>Description</u>	<u>Effective for periods begins on or after the following date</u>
IAS 21	Non-interchangeability (Amendments to IAS 21)	1 January 2025
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption / Effective date deferred indefinitely

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

TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended June 30, 2024

(Expressed in Saudi Arabian Riyals unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

Movement in property, plant and equipment is as follows:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Cost		
Beginning of the period / year	2,388,220,115	2,373,052,818
Addition during the period / year	8,831,996	16,203,341
Disposal during the period / year	<u>(1,273,994)</u>	<u>(1,036,044)</u>
Ending of the period / year	<u>2,395,778,117</u>	<u>2,388,220,115</u>
Accumulated depreciation		
Beginning of the period / year	1,480,249,586	1,422,180,309
Charge during the period / year	23,869,034	59,105,321
Disposals during the period / year	<u>(1,270,419)</u>	<u>(1,036,044)</u>
Ending of the period / year	<u>1,502,848,201</u>	<u>1,480,249,586</u>
Net book value at the end of period / year	<u>892,929,916</u>	<u>907,970,529</u>

Property, plant and equipment useful life

The useful life of a portion of machinery and equipment has been amended from 25 years to 30 years, effective from 1 January 2024. The change in the depreciation method has been accounted for as a change in accounting estimate, and the remaining book value of that portion of machinery and equipment will be depreciated according to the new depreciation rates. The impact of this amendment amounted to SR 4,163,217 reducing the depreciation value during the financial period ended 30 June 2024. The impact of this on the next five years is as follows:

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Decrease in depreciation expenses	8,326,434	8,326,434	8,326,434	8,326,434	8,326,434

7. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

The equity investment at fair value through other comprehensive income (FVOCI) represent 2,36% shares in the Industrialization and Energy Services Company -TAQA (Saudi joint stock company), (31 December 2023: 2,36%).

The nature of this Company's business is power generation, and the investment was recorded at fair value through other comprehensive income, The investment is mortgaged against the loan granted to the Company (Note 11). The Industrialization and Energy Services Company – TAQA distributed dividends during the period ended 30 June 2024, and the Company's share represents an amount of SR 5,080,463 (December 31, 2023: SR 5,080,463).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended June 30, 2024

(Expressed in Saudi Arabian Riyals unless otherwise stated)

8. DERIVATIVE FINANCIAL INSTRUMENT

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Balance as at beginning period / year	7,179,800	11,146,526
Changes in fair value of cash flow hedges in OCI	<u>(1,773,421)</u>	<u>(3,966,726)</u>
Balance as at ending period / year	<u>5,406,379</u>	<u>7,179,800</u>

On 11 November 2021, the Company entered into profit rate SWAP agreements ("Hedging Instrument") with a local bank for its long-term loan to hedge against changes in SIBOR ("Hedging Item"). The Hedging Instrument and Hedging Item have similar significant terms such as reference rate, reset dates, payment dates, maturity dates and notional amount, and therefore the hedge ratio is 1:1.

This arrangement has been designated as a hedging instrument since inception and is subject to a forward-looking test of hedge effectiveness at each reporting date, as at the reporting date, the hedge effectiveness was assessed as 100% as all significant covenants were met throughout the year. (31 December 2023: As at the reporting date, the hedge effectiveness was assessed as 100% as all significant conditions were met throughout the year).

The details of the agreement are as follows:

Effective date	Due date	Book value as at 30 June 2024	Book value as at 31 December 2023
3 January 2022	12 March 2026	126,941,767	158,677,208

9. INVENTORIES

Inventories comprise the following:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Production under processing	113,128,813	131,038,647
Spare parts	94,862,317	94,722,420
Raw materials	42,772,601	46,003,273
Finished goods	6,059,992	6,451,719
Goods in transit	<u>6,941,729</u>	<u>5,500,405</u>
	263,765,452	283,716,464
Less: impairment for slow moving inventory items	<u>(1,219,435)</u>	<u>(1,360,755)</u>
	<u>262,546,017</u>	<u>282,355,709</u>

TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended June 30, 2024

(Expressed in Saudi Arabian Riyals unless otherwise stated)

9. INVENTORIES (continued)

Impairment for slow moving inventory items as follows:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Balance as at beginning period / year	1,360,755	899,579
Reversal / charge during the period / year	<u>(141,320)</u>	<u>461,176</u>
Balance as at ending period / year	<u>1,219,435</u>	<u>1,360,755</u>

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	<u>Note</u>	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Cash at banks on current accounts		13,480,268	26,894,267
Islamic Murabahat	10.1	<u>41,000,000</u>	<u>10,000,000</u>
		<u>54,480,268</u>	<u>36,894,267</u>

10-1 Islamic Murabaha represents short-term Murabaha held with local commercial banks in Saudi Riyals and their original maturity period does not exceed three months from the date of the original investment. It generates a return according to prevailing short-term deposit rates.

11. LONG-TERM LOAN

The Company has bank loan with a local bank with a total amount of SR 124,672,623 as at 30 June 2024 (31 December 2023: SR 155,062,068). The loan agreement with the bank contains some covenants, which among other things, that the leverage ratio shall not be more than 1:1 and the debt coverage ratio shall not be less than 1:3 based on the annual audited financial statements, and it also requires maintaining some financial ratios and indicators.

A breach of these covenants in the future may lead to renegotiation, The management monitors the covenants Periodically, and in case of the existence of a breach that is expected to occur in the future, the management takes the necessary measures to ensure compliance, The Company has fulfilled these covenants as at 30 June 2024.

The loan is stated in the condensed statement of financial position as follows:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Current portion under current liabilities	63,470,883	63,470,883
Non-current portion under non-current liabilities	<u>61,201,740</u>	<u>91,591,185</u>
	<u>124,672,623</u>	<u>155,062,068</u>

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11. LONG-TERM LOAN (continued)

The loan movement during the period / year is as follows:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Balance at the beginning of the period / year	155,062,068	214,942,099
Effect of financial liability cash flows adjustment	1,345,997	3,590,852
Provided during the period/year	(31,735,442)	(63,470,883)
	<u>124,672,623</u>	<u>155,062,068</u>

During 2020, the Company's management rescheduled the loan and amended the terms of the contract. The company performed a 10% test of the loan obligation in accordance with the requirements of IFRS, 9 "Financial Instruments". This test resulted in a modification gain of SR 22,758,671. This amount represents the difference between the present value of the loan according to the terms before the amendment and the present value of future cash payments according to the terms of the renegotiated and modified loan amendment, which is discounted at the original effective interest rate of the loan. Since the difference is less than 10%, the modification in the terms is not considered material and is not accounted for as a release of the loan obligation and recognition of a new financial liability. Accordingly, the present value of future cash payments according to the terms of the amendment was recognized using the original effective interest rate of the loan, and the difference was recognized as a modification gain.

On 11 November 2021, the Company entered into profit rate swap agreements ("hedging instrument") with a local bank for its long-term loan to hedge against changes in SIBOR (Note 8).

The loan is secured by an investment in the Industrialization and Energy Services Company, (Note 7). The loan includes financial covenants. The management monitors the fulfillment of commitments on a regular basis, and in the event of a breach expected to occur in the future, the necessary measures are taken to ensure compliance.

12. DIVIDENDS PAYABLE TO SHAREHOLDERS

The movement on dividends payable to shareholders is as follows:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Balance at 1 January	119,691,529	120,371,949
Dividends distributed during the period / year	22,500,000	--
Dividend payments during the period / year	(117,435)	(680,420)
	<u>142,074,094</u>	<u>119,691,529</u>

The Extraordinary General Assembly on 26 June 2024 approved the distribution of cash dividends to shareholders at the rate of SR 0.25 per share, with a total amount of SR 22,500,000 (31 December 2023: Nil).

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13. ZAKAT

a) Charge of the period

	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Charged on the period	<u>2,923,928</u>	<u>1,900,000</u>
	<u>2,923,928</u>	<u>1,900,000</u>

b) Provision for zakat

The movement in Zakat payable represented as follows:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Balance at beginning of the period / year	16,198,234	٦,٦٨٣,٤٠١
Add: Charge of the period / year	2,923,928	١٠,٧٩٤,٨٩٥
Less: Payments during the period / year	<u>(7,240,997)</u>	<u>(1,280,062)</u>
Balance at end of the period/year	<u>11,881,165</u>	<u>16,198,234</u>

The Company has submitted its Zakat returns to the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia for all years up to the financial year ended 31 December 2023, and had Zakat certificate valid till 30 April 2025.

The Company received the zakat assessment for the financial years ending on 31 December 2014 until 31 December 2018, The Company paid the full value of the assessment and finalized the zakat status for these years.

The Zakat, Tax and Customs Authority issued the Zakat assessments for the years 2019 to 2022 with a total Zakat difference of SR 13,124,512. The company's management paid part of this difference amounting to SR 3,989,306. Therefore, the Zakat, Tax and Customs Authority's assessment is considered immune and not subject to objection.

14. OTHER INCOME

	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Income from investments in equity instruments (Note 7)	5,080,463	5,080,463
Building and land rental	<u>13,034,504</u>	<u>400,000</u>
	<u>18,114,967</u>	<u>5,480,463</u>

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15. EARNING PER SHARE

a) Basic earnings per share

The calculation of basic earnings per share has been based the distributable earnings attributable to shareholders of ordinary shares and the weighted average number of ordinary shares outstanding at the date of the financial statements.

	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Profit for the period	47,454,363	29,313,196
Number of shares (weighted average)	90,000,000	90,000,000
Basic earnings per share (SR)	<u>0.53</u>	<u>0.33</u>

b) Diluted EPS

The calculation of diluted earnings per share has been based on the profit distributable to shareholders on ordinary shares and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, if any. During the period there were no diluted shares, accordingly the diluted earnings per share was the same as the basic.

16. CONTINGENT COMMITMENT

Contingent commitment in letter of guarantees outstanding as of 30 June 2024 amounted to SR 9,625,000 (31 December 2023: SR 3,625,000).

17. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Transactions with related parties principally represent transactions with BOD members and key management personnel. The transactions with related parties during the period ended 30 June 2024 and the period ended 30 June 2023 are as follows:

<u>Transactions with</u>	<u>Nature of the transaction</u>	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Key management personnel	Salaries, wages, benefits, and equivalents	<u>1,361,250</u>	<u>1,500,000</u>
	End of service benefits	<u>61,216</u>	<u>32,558</u>
BOD members	Board of directors' remunerations	<u>1,124,664</u>	<u>1,296,512</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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18. RESTATEMENT OF PRIOR PERIOD ERRORS

- a) Fair Value adjustment in respect of the interest rate swaps, designated as cash flow hedging instrument against the risks associated with interest rate fluctuations as of the period ending 30th June 2023, was not recorded by the Company erroneously, have been corrected now by recognizing the adjustment for fair value loss of SR 576,606 in cash flow hedge reserve under OCI for six months ending 30th June 2023 and the gain of SR 403,522 in cash flow hedge reserve under OCI for three months ending 30 June 2023.
- b) During the month of March 2024 and before approving the company's financial statements as of December 31, 2023, the Zakat, Tax and Customs Authority completed its examination for the years from 2019 to 2022, which resulted in zakat differences amounting to 4,731,427 Saudi Riyals. The company recorded this erroneously by adjusting the opening balance of retained earnings as of January 1, 2023. The company corrected the error by reversing the impact in retained earnings as of January 1, 2023, and the company recognized the increasing difference as a change in the estimate arising in the fourth quarter of the fiscal year ending December 31, 2023.

Impact of the above adjustments in interim condensed statement of profit or loss and other comprehensive income for the three- and six-months periods ended 30 June 2024.

<u>STATEMENT OF FINANCIAL POSITION</u>	<u>As at 1 January 2023</u>		
	<u>Balance as previously reported</u>	<u>Adjustments</u>	<u>Balance after adjustment</u>
Equity and Liabilities			
Equity			
Retained earning	15,262,440	4,731,427 *	19,993,867
Total equity	1,283,879,730	4,731,427	1,288,611,157
Liabilities			
Zakat provision	11,414,828	(4,731,427)	6,683,401
Total current Liabilities	225,164,026	(4,731,427)	220,432,599
Total Liabilities	392,770,639	(4,731,427)	388,039,212
Total equity and Liabilities	1,676,650,369	--	1,676,650,369

*The comparative period impact in the statement of financial position as on 31 December 2023 does not require adjustment and the statement of profit or loss and other comprehensive income impact will be covered in the comparative period restatement of Q4 FY 23.

**STATEMENT OF PROFIT OR
LOSS AND OTHER
COMPREHENSIVE INCOME**

	<u>For the six months period ended 30 June</u>		
	<u>Previously reported</u>	<u>Adjustments</u>	<u>After adjustment</u>
Movement in fair value of cash flow hedges	--	(576,606)	(576,606)
Other Comprehensive income	--	(576,606)	(576,606)
Total Comprehensive income	29,313,196	(576,606)	28,736,590

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended June 30, 2024

(Expressed in Saudi Arabian Riyals unless otherwise stated)

18. RESTATEMENT OF PRIOR PERIOD ERRORS (continued)

<u>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</u>	<u>For the three months Period ended 30 June</u>		
	<u>Previously reported</u>	<u>Adjustments</u>	<u>After adjustment</u>
Movement in fair value of cash flow hedges	--	403,522	403,522
Other Comprehensive income	--	403,522	403,522
Total Comprehensive income	9,966,802	403,522	10,370,324

<u>The condensed interim statement of changes in shareholders' equity</u>	<u>For the six months Period ended 30 June</u>		
	<u>Previously reported</u>	<u>Adjustments</u>	<u>After adjustment</u>
Retained earning	15,262,440	4,731,427	19,993,867
Total equity	1,283,879,730	4,731,427	1,288,611,157

19. SEGMENT REPORT

A Segment is a distinguishable component of the Company that is engaged either 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 Company's Chief Operating Decision Maker (CODM) the Chief Executive Officer considers for management reporting and decision-making purposes, the activities of the Company are organized into one operating segment. The Company operates in the said reportable operating segment. Accordingly, the figures reported in the financial statements are related to the Company's only reportable segment.

19.1 Major Customers

Revenue from seven customers of the Company represented approximately 89% amounting to SR 153.9 million (30 June 2023: 89% amounting to SR 129.2 million) of the Company's total revenue.

20. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

The condensed interim financial statements were authorized for issue by the Board of Directors on 7 August 2024, corresponding to 3 Safar 1446H.