

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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30
SEPTEMBER 2023**

ARABIAN CEMENT COMPANY
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UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ARABIAN CEMENT COMPANY (A SAUDI JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Arabian Cement Company ("The Company") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2023, and the related interim condensed consolidated statements of profit or loss, and comprehensive income for the three-month and nine-month periods ended 30 September 2023, and the related interim condensed consolidated statements of changes in shareholders' equity, and cash flows for the nine-month period then ended, and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (2410), "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of the persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

Other matter

The Group's consolidated financial statements for the year ended 31 December 2022 were audited by another auditor, who expressed an unmodified opinion on those consolidated financial statements at 7 Sha'ban 1444H (corresponding to 27 February 2023). Furthermore, the Group's interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2022 were reviewed by the same auditor who expressed an unmodified review conclusion on those interim condensed consolidated financial statements dated 2 Rabi AL-Thani 1444H (corresponding to 27 October 2022).

for Ernst & Young Professional Services


Ahmed Ibrahim Reda
Certified Public Accountant
License No. (356)

Jeddah: 17 Rabi Al-Thani 1445H
(01 November 2023G)



ARABIAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023

	<i>Notes</i>	30 September 2023 (Unaudited) SR (‘000)	31 December 2022 (Audited) SR (‘000)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	2,014,714	2,101,446
Intangible assets		12,316	13,239
Investment property		5,000	5,000
Investments in associates	9	75,157	67,162
Financial assets at fair value through other comprehensive income (FVOCI)		94,154	108,885
Deferred tax assets	13	21,442	21,221
Right-to-use assets		4,010	4,291
TOTAL NON-CURRENT ASSETS		2,226,793	2,321,244
CURRENT ASSETS			
Inventories	18	490,359	454,818
Trade receivables	11	253,144	220,587
Prepayments and other receivables		24,847	19,826
Cash and cash equivalents		133,968	263,874
TOTAL CURRENT ASSETS		902,318	959,105
TOTAL ASSETS		3,129,111	3,280,349
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	1,000,000	1,000,000
Share premium		293,565	293,565
Statutory reserve		500,000	500,000
General reserve		95,000	95,000
Foreign currency translation reserve		(561)	(561)
Fair value reserve for financial assets at fair value through other comprehensive income		36,250	50,981
Retained earnings		618,180	696,275
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		2,542,434	2,635,260
Non-controlling interests		88,693	87,102
TOTAL EQUITY		2,631,127	2,722,362

Mr. Moataz M. Mortada

Dr. Badr Osama Johar

Eng. Mutaz Kusai Al Azzawi

Vice President of Finance

Chief Executive Officer

Authorized Board of
Directors Member

The attached notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

ARABIAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 SEPTEMBER 2023

	<i>Notes</i>	30 September 2023 (Unaudited) SR (‘000)	31 December 2022 (Audited) SR (‘000)
NON-CURRENT LIABILITES			
Long term loans and facilities	12	131,043	188,854
Employees' defined benefit liabilities		55,960	52,948
Deferred tax liabilities	13	56,116	56,116
Provision for rehabilitation	19	9,331	7,831
Lease liabilities	10	3,885	4,057
		<hr/>	<hr/>
TOTAL NON-CURRENT LIABILITIES		256,335	309,806
CURRENT LIABILITIES			
Long-term loans and facilities - current portion	12	54,954	42,789
Trade and other payables		160,888	173,914
Zakat and income tax payable		12,916	18,541
Dividends payable	17	12,270	12,314
Lease liabilities	10	623	623
		<hr/>	<hr/>
TOTAL CURRENT LIABILITIES		241,651	248,181
		<hr/>	<hr/>
TOTAL LIABILITIES		497,986	557,987
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		3,129,111	3,280,349
		<hr/> <hr/>	<hr/> <hr/>

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ARABIAN CEMENT COMPANY
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

	Notes	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
		2023		2022	
		<i>(Unaudited)</i> SR (‘000)	<i>(Unaudited)</i> SR (‘000)	<i>(Unaudited)</i> SR (‘000)	<i>(Unaudited)</i> SR (‘000)
Revenue		213,713	240,566	650,590	730,835
Cost of sales		(160,856)	(158,782)	(484,182)	(512,006)
Gross Profit		52,857	81,784	166,408	218,829
Selling and distribution expenses		(5,708)	(5,315)	(15,033)	(26,925)
General and administrative expenses		(13,223)	(12,684)	(39,380)	(38,124)
OPERATING PROFIT		33,926	63,785	111,995	153,780
Dividends of Financial assets at FVOCI		-	1,602	1,068	4,270
Share of results of associates	9	5,188	3,607	7,944	8,892
Finance costs		(3,244)	(4,155)	(10,747)	(11,389)
Proceeds from Islamic deposits		1,109	1,611	4,254	2,387
Other income, net		2,446	617	8,061	6,268
Profit for the period before zakat and income tax		39,425	67,067	122,575	164,208
Zakat		(3,710)	(3,000)	(11,131)	(9,000)
Income tax		(3,936)	(3,267)	(3,000)	(5,956)
PROFIT FOR THE PERIOD		31,779	60,800	108,444	149,252
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:					
Shareholders of the Company		29,692	58,954	106,853	145,886
Non-controlling interests		2,087	1,846	1,591	3,366
		31,779	60,800	108,444	149,252
EARNINGS PER SHARE FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY(SR):					
Basic	14	0.30	0.59	1.07	1.46
Diluted		0.30	0.59	1.07	1.46

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ARABIAN CEMENT COMPANY
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

	Notes	<i>For Three-month period ended</i>		<i>For Nine-month period ended</i>	
		<i>30 September</i>	<i>2022</i>	<i>30 September</i>	<i>2022</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>SR ('000)</i>	<i>SR ('000)</i>	<i>SR ('000)</i>	<i>SR ('000)</i>
NET PROFIT FOR THE PERIOD		31,779	60,800	108,444	149,252
Other comprehensive income					
Items that will not be reclassified to consolidated statement of income in subsequent periods:					
Unrealised losses of financial assets at FVOCI		(20,069)	(6,405)	(14,731)	(33,520)
Group's share in other comprehensive income / (loss) of associates	9	-	-	52	(84)
TOTAL OTHER COMPREHENSIVE LOSS		(20,069)	(6,405)	(14,679)	(33,604)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		11,710	54,395	93,765	115,648
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Shareholders of the Company		9,623	52,550	92,174	112,282
Non-controlling interests		2,087	1,846	1,591	3,366
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		11,710	54,396	93,765	115,648

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ARABIAN CEMENT COMPANY
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	<i>Share capital</i> <i>SR ('000)</i>	<i>Share premium</i> <i>SR ('000)</i>	<i>Statuary reserve</i> <i>SR ('000)</i>	<i>General reserve</i> <i>SR ('000)</i>	<i>Foreign currency translation reserve</i> <i>SR ('000)</i>	<i>Fair value reserve for financial assets at fair value through other comprehensive income</i> <i>SR ('000)</i>	<i>Retained earnings</i> <i>SR ('000)</i>	<i>Equity attributable to the shareholders of the Company</i> <i>SR ('000)</i>	<i>Non-controlling interests</i> <i>SR ('000)</i>	<i>Total equity</i> <i>SR ('000)</i>
As at 1 January 2023 (Audited)	1,000,000	293,565	500,000	95,000	(561)	50,981	696,275	2,635,260	87,102	2,722,362
TOTAL COMPREHENSIVE INCOME										
Profit for the period	—	—	—	—	—	—	106,853	106,853	1,591	108,444
Other comprehensive loss	—	—	—	—	—	(14,731)	52	(14,679)	—	(14,679)
TOTAL COMPREHENSIVE INCOME	—	—	—	—	—	(14,731)	106,905	92,174	1,591	93,765
Dividends of the Parent Company's shareholders (Note 17)	—	—	—	—	—	—	(185,000)	(185,000)	—	(185,000)
Balance at 30 September 2023 (Unaudited)	1,000,000	293,565	500,000	95,000	(561)	36,250	618,180	2,542,434	88,693	2,631,127

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ARABIAN CEMENT COMPANY
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

	<i>Equity attributable to shareholders of the Company</i>									
	<i>Share capital SR ('000)</i>	<i>Share premium SR ('000)</i>	<i>Statutory reserve SR ('000)</i>	<i>General reserve SR ('000)</i>	<i>Foreign currency translation reserve SR ('000)</i>	<i>Fair value reserve for financial assets at fair value through other comprehensive income SR ('000)</i>	<i>Retained earnings SR ('000)</i>	<i>Equity attributable to the Company's shareholders SR ('000)</i>	<i>Non-controlling interests SR ('000)</i>	<i>Total equity SR ('000)</i>
As at 1 January 2022 (Audited)	1,000,000	293,565	500,000	95,000	(561)	91,760	769,930	2,749,694	83,632	2,833,326
TOTAL COMPREHENSIVE INCOME										
Profit for the period	—	—	—	—	—	—	145,886	145,886	3,366	149,252
Other comprehensive loss	—	—	—	—	—	(33,520)	(84)	(33,604)	—	(33,604)
TOTAL COMPREHENSIVE INCOME	—	—	—	—	—	(33,520)	145,802	112,282	3,366	115,648
Dividends of the Parent Company's shareholders (Note 17)	—	—	—	—	—	—	(260,000)	(260,000)	—	(260,000)
Balance at 30 September 2022 (Unaudited)	1,000,000	293,565	500,000	95,000	(561)	58,240	655,732	2,601,976	86,998	2,688,974

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ARABIAN CEMENT COMPANY
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

	<i>Notes</i>	2023 <i>(Unaudited)</i> SR <i>('000)</i>	2022 <i>(Unaudited)</i> SR <i>('000)</i>
OPERATING ACTIVITIES			
Profit for the period before zakat and income tax		122,575	164,208
Adjustments:			
Depreciation on property, plant and equipment	8	106,925	105,411
Amortization of intangible assets		925	905
Amortization of right to use assets		280	280
Group's share of results of associates	9	(7,944)	(8,892)
Provision for impairment of trade receivables		-	1,529
Dividends of Financial assets at FVOCI		(1,068)	(4,270)
Provision for impairment of inventories		3,222	-
Profit from sale of property, plant and equipment		(56)	(245)
Finance costs		10,747	11,389
Provision for rehabilitation		1,500	-
Employees' defined benefit liabilities charged for the period		6,138	4,925
		243,244	275,240
Changes in working capital:			
Trade receivables, prepayments and other debit balances		(37,627)	(37,868)
Inventories		(39,938)	(69,469)
Trade and other payables		(11,728)	(21,695)
		153,951	146,208
Finance costs paid		(10,492)	(11,119)
Zakat and income tax paid		(21,231)	(23,674)
Employees' defined benefit liabilities paid		(3,125)	(574)
NET CASH FROM OPERATING ACTIVITIES		119,103	110,841
INVESTING ACTIVITIES			
Additions to property, plant and equipment	8	(19,017)	(21,288)
Proceeds from sale of property, plant and equipment		56	(867)
Dividends from financial assets at FVOCI		1,068	4,270
Financial investments at amortised cost		-	210,000
Net cash (used in) / from investing activities		(17,893)	192,115
FINANCING ACTIVITIES			
Proceeds from term loans		52,891	198,131
Repayment of term loans		(98,537)	(189,008)
Repayment of lease liabilities		(426)	(157)
Dividends paid	17	(185,044)	(259,595)
Net cash used in financing activities		(231,116)	(250,629)

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ARABIAN CEMENT COMPANY
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS (CONTINUED)
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

	2023 <i>(Unaudited)</i> SR <i>('000)</i>	2022 <i>(Unaudited)</i> SR <i>('000)</i>
Net (decrease)/increase in cash and cash equivalents	(129,906)	52,327
Cash and cash equivalents at 1 January	263,874	143,436
Cash and cash equivalents at th end of the period	133,968	195,763
Significant non-cash transactions		
Net loss from financial assets at FVOCI	(14,732)	(33,520)

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ARABIAN CEMENT COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
AS AT 30 SEPTEMBER 2023

1 COMPANY INFORMATION

Arabian Cement Company (the “Company” or the “Parent Company”) is a Saudi Joint Stock Company incorporated in accordance with the Companies’ Regulations in the Kingdom of Saudi Arabia under the Royal Decree No. 731 dated 12 Jumada Al-Oula 1374H (Corresponding to 5 January 1955) and the Company operates under commercial registration no. 4030000148 issued in Jeddah, dated 14 Ramadan 1376 H (corresponding to 13 April 1957).

The Company's share capital is one billion Saudi Riyals divided into 100 million shares, with the value of SR 10 each, as at 30 September 2023 and 31 December 2022.

The Company’s shares are listed in the Saudi Exchange Market in the Kingdom of Saudi Arabia. The Parent Company is owned by 6.67% to a major shareholder, while 93.33% is owned by other shareholders as at 30 September 2023 (31 December 2022: 6.67% by the major shareholder and 93.33% by other shareholders).

The main activity of the Company is as follows:

1. Production of cement, construction materials and other related materials and derivatives inside and outside the Kingdom of Saudi Arabia.
2. Trading of clinker, cement, construction materials and other related materials and derivatives inside and outside the Kingdom of Saudi Arabia.
3. Utilization of mines, establishing factories and warehouses required to be used in manufacturing, storage, selling, purchasing, exporting, importing and other complementary and supportive industries.

To achieve these purposes, the Company has the right to enter into all types of contracts of properties and movable assets within the limits if the applicable regulations.

The registered address of the Company is Arabian Cement Company’s building, 8605 King Abdulaziz Road, Nahdha District, Jeddah 23523-2113, Kingdom of Saudi Arabia.

As at 30 September 2023 and 31 December 2022, the Company has, directly or indirectly, investments in the following subsidiaries (collectively referred to as the “Group”):

The details of the subsidiaries are as follows:

<i>Subsidiary</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Shareholding (%)</i>	
			<i>2023</i>	<i>2022</i>
Bahrain Arabian Cement Holding Company (a single shareholder Company) (“Bahrain Cement Company”)	Holding company	Kingdom of Bahrain	100%	100%

At 5 November 2007, Bahrain Arabian Cement Company was incorporated as an individual Company registered in the Kingdom of Bahrain with the purpose of managing its subsidiaries, investing its funds in shares, bonds and securities, owning properties and movable assets necessary to its operations and providing loans, gauranties and financing to its subsidiaries.

Bahrain Cement Company has investment in the following subsidiary:

<i>Subsidiary</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Shareholding (%)</i>	
			<i>2023</i>	<i>2022</i>
Qtrana Cement Joint Stock Private Company (“Qtrana Cement Company”)	Cement production	Kingdom of Jordan	86.74%	86.74%

ARABIAN CEMENT COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

AS AT 30 SEPTEMBER 2023

1 COMPANY INFORMATION (continued)

Bahrain Cement Company owns 86.74% of Qatrana Cement Company's shares and holds control over its business and management. Thus, Qatrana Cement Company is considered as an indirectly owned subsidiary by the Parent Company and has been consolidated in these interim condensed consolidated financial statements. Qatrana Cement Company is engaged in the production of black Portland cement, white cement and calcium carbonate.

The interim condensed consolidated statement of profit or loss includes the results of operations of the subsidiaries for the nine-month period ended 30 September 2023, and the interim condensed consolidated statement of financial position includes the assets and liabilities of the subsidiaries, as at 30 September 2023.

2 BASIS OF PREPERATION

2.1 Statement of compliance

These interim condensed consolidated financial statements for the nine-month period ended 30 September 2023 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate on the the going concern basis. The management believes that there are no material uncertainties that may cast significant doubt over this assumption. They have exercised their judgement that there are reasonable expectations that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated 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 financial statements for the year ended 31 December 2022. In addition, the results for the three-month and nine-month periods ended 30 September 2023, are not an accurate indication of the results that can be expected for the fiscal year ended 31 December 2023.

2.2 Basis of measurement

The interim condensed consolidated financial statements have been prepared on the historical cost convention, except for the following major items presented in the interim condensed consolidated statement of financial position:

- Equity investments are measured at Fair Value through Other Comprehensive Income
- Defined benefits liabilities for future obligations are recognised based on the expected credit unit method.

2.3 Functional and presentation currency

These interim condensed consolidated financial statements are prepared in Saudi Arabian Riyals (SR) which is the Company's functional and presentation currency of the Group. All amounts have been rounded off to the nearest thousand Saudi Riyals unless otherwise stated.

3 USE OF JUDGEMENTS AND ESTIMATES

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

Estimates and assumptions are based on previous experience and factors that may include expecting suitable future events which are used to extend book period of dependent assets and liabilities from other resources and estimates and assumptions are evaluated on an on-going basis. Accounting estimates are also reviewed in the period in which the estimates are revised in the audit period and future periods, if the changed estimates affect current and future periods.

Significant judgments made by the management upon adopting the Company's accounting policies are consistent with the disclosed policies in the financial statements for the year ended 31 December 2022.

ARABIAN CEMENT COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

AS AT 30 SEPTEMBER 2023

4 BASIS OF CONSOLIDATION

The consolidated financial statements of the Group include the financial statements of the Group and its subsidiaries set forth in Note 1. Control is achieved when the Group is exposed, or has rights to returns from its involvement with the investee and has the ability to affect those returns through exercising its power over the investee. The Group is considered having control over the investee in the following cases or elements:

- 1) Control over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- 2) Exposure to rights in variable returns from its involvement with the investee.
- 3) The ability to use its power over the investee to affect its returns

The Group reassesses whether it has control over the investee if facts and circumstances indicate that there have been changes in one of the above-mentioned elements of control. The consolidation of the 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 the acquired or disposed of subsidiary during the period are included in the consolidated financial statements from the date the Group gains control until the date the control ceases.

Profits, losses and all components of other comprehensive income are attributable to the equity holders of the Parent Company of the Group and to the holders of non-controlling interests, even if this results in a deficit balance in favor of the non-controlling interest holders. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group balances and financial transactions resulting from transactions between the Group and its subsidiaries and those arising between the subsidiaries are eliminated when preparing these consolidated financial statements. Also, any unrealized gains or losses resulting from internal transactions in the Group are eliminated upon the consolidation of the financial statements.

Any change in shareholding interests in the subsidiary, without loss of control, is accounted for as an equity transaction, and when the Group loses control on the subsidiary it and does the following:

- Derecognition of the assets (including goodwill) and liabilities of the subsidiary
- Derecognition of the carrying amount of any noncontrolling interest.
- Derecognition of the cumulative transfer differences recorded under equity.
- Recognition of fair value of consideration received.
- Recognition of the fair value of any investment retained
- Recognition of surplus or deficit in profit or loss.

The Parent Company's share of the aforementioned components within other comprehensive income is reclassified under profit, loss or retained earnings, as would be required if the Group had directly disposed of the related assets or liabilities.

Eliminated transactions

Intra-group balances and transactions, as well as any unrealized gains or losses resulting from internal transactions between the Group's companies, are completely eliminated when preparing these consolidated financial statements. 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 to the extent that there is no evidence of impairment.

Non-controlling interests

The non-controlling interests in the net assets of the consolidated subsidiaries are recognized separately from the Group's equity in the net assets. Non-controlling interests consist of the amounts of those interests that are recognized at the date of the original business combination in addition to their shares in the changes in equity in the Company that occur after the date of acquisition.

The Group does not add its indirect share in the subsidiaries that it owns through investments in equity-accounted investees. When calculating the shares attributable to non-controlling interests, only the shares owned directly or indirectly by another subsidiary are taken into account.

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5 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

Several amendments and interpretations apply for the first time in 2023 given below, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS (17) Insurance Contracts

In May 2017, the IASB issued IFRS 17 "Insurance Contracts" (IFRS 17), a new comprehensive accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance, and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

Amendments to IAS (1): Classification of liabilities as current or non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- This classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreement may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS (8)

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendment also clarifies how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 "Making Materiality Judgements", in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities to provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

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5 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED (Continued)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

These amendments do not have any impact on the Group.

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's interim condensed consolidated financial statements are listed below. The Group intends to adopt these standards when they become effective.

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective date</u>
Amendment to IFRS 16	Leases on sale and leaseback	1 January 2024
Amendment to IAS 1	Non-current liabilities with covenants	1 January 2024

7 SEGMENT INFORMATION

The Group is mainly engaged in an operating segment that is related to production and selling of cement and clinker.

The Group's business has been divided into geographical business units as follows:

- All the operations of the Group are carried out inside the Kingdom of Saudi Arabia.
- The Group's operations outside the Kingdom of Saudi Arabia mainly represent the Group's operations in the Hashemite Kingdom of Jordan, in addition to the Kingdom of Bahrain.

<i>AS AT 30 SEPTEMBER 2023</i> <i>(Unaudited)</i>	<i>Inside KSA</i> <i>SR</i> <i>('000)</i>	<i>Outside KSA</i> <i>SR</i> <i>('000)</i>	<i>Reconciliations</i> <i>SR</i> <i>('000)</i>	<i>Total</i> <i>SR</i> <i>('000)</i>
Total property, plant, equipment and investment Properties	1,350,116	766,365	(96,767)	2,019,714
Financial assets at fair value through other comprehensiv income (FVOCI)	94,154	—	—	94,154
Total other non-current assets	769,376	42,818	(699,269)	112,925
Total current assets	644,069	258,015	234	902,318
TOTAL ASSETS	2,857,715	1,067,198	(795,802)	3,129,111
TOTAL LIABILITES	315,284	394,286	(211,584)	497,986

<i>AS AT 31 DECEMBER 2022</i> <i>(Audited)</i>	<i>Inside KSA</i> <i>SR ('000)</i>	<i>Outside KSA</i> <i>SR ('000)</i>	<i>Reconciliations</i> <i>SR</i> <i>('000)</i>	<i>TOTAL</i> <i>SR</i> <i>('000)</i>
Total property, plant, equipment and investment Properties	1,411,600	791,614	(96,768)	2,106,446
Financial assets at fair value through other comprehensiv income (FVOCI)	108,885	—	—	108,885
Total other non-current assets	750,981	43,801	(688,869)	105,913
Total current assets	693,770	265,048	287	959,105
TOTAL ASSETS	2,965,236	1,100,463	(785,350)	3,280,349
TOTAL LIABILITES	329,974	439,494	(211,481)	557,987

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(CONTINUED)
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7 SEGMENT INFORMATION (continued)

Financial information of revenues, profits attributable to shareholders of the Company, financing costs, depreciation and amortization costs related to geographical segments after elimination of the impact of the transactions between the Group's companies for the nine-month period ended 30 September 2023 and 2022 are as follows:

<i>For the period ended 30 September 2023 (Unaudited)</i>	<i>Inside KSA SR ('000)</i>	<i>Outside KSA SR ('000)</i>	<i>Reconciliations SR ('000)</i>	<i>TOTAL SR ('000)</i>
Revenue	413,221	237,369	—	650,590
Profits for the period attributable to the shareholders of the Company	106,853	11,867	(11,867)	106,853
Finance costs	—	10,747	—	10,747
Depreciations and amortisations	76,197	31,931	—	108,128
<i>For the period ended 30 September 2022 (Unaudited)</i>				
Revenue	503,310	227,525	—	730,835
Profits for the period attributable to the shareholders of the Company	145,886	25,391	(25,391)	145,886
Finance costs	314	11,075	—	11,389
Depreciations and amortisations	74,931	31,665	—	106,596

8 PROPERTY, PLANT AND EQUIPMENT

For the purposes of preparing the interim condensed consolidated statement of cash flows, the movement in property, plant and equipment during the nine-month period ended 30 September 2023 is as follows:

	<i>For the nine-month period ended 30 September</i>	
	<i>2023 (Unaudited) SR ('000)</i>	<i>2022 (Unaudited) SR ('000)</i>
Depreciation	106,925	105,411
Additions to property, plant and equipment	19,017	21,288

- Property, plant and equipment as at 30 September 2023 includes a balance of projects in progress amounted to SR 437 million (31 December 2022: SR 438.3 million) mainly representing projects for construction of new cement mills and connection with the power plant in the Company's factory in Rabigh, with a balance of SR 410 million as at 30 September 2023 (31 December 2022: SR 410 million) and expected to be completed in the last quarter of 2023. In addition to upgrading the efficiency level of production lines.
- No Group's property, plant and equipment are pledged against outstanding loans as at 30 September 2023 and 31 December 2022.
- The Company's buildings, machinery and facilities were built on lands within the concession obtained by the Parent Company for mining in Rabigh by Royal Decree No. M/29 dated 9 Dhul Qi'dah 1406H (corresponding to 15 July 1986) for a period of 30 years, which represents the exploitation license for limestone that was renewed by Ministerial Resolution No. Q/7197 dated 15/9/1437H (corresponding to 20 September 2016) which is valid for 30 years starting from 9 Shawwal 1437H (corresponding to 14 July 2016).

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AS AT 30 SEPTEMBER 2023

9 INVESTMENTS IN ASSOCIATES

<u>Company name</u>	<u>Country of incorporation</u>	<u>Principal activity</u>	<u>Shareholding %</u>		<u>30 September</u>	<u>31 December</u>
			<u>2023</u>	<u>2022</u>	<u>2023</u> (Unaudited) SR ('000)	<u>2022</u> (Audited) SR ('000)
Ready Mix Concrete and Construction Supplies Company	The Hashemite Kingdom of Jordan	Ready concrete production	36.67%	36.67%	26,764	20,516
Cement Products Limited Company	Kingdom of Saudi Arabia	Bags production Cement	33.33%	33.33%	48,393	46,646
					75,157	67,162

The movement of investments in associates during the period / year was as follows:

	<u>30 September</u>	<u>31 December</u>
	<u>2023</u>	<u>2022</u>
	(Unaudited)	(Audited)
	SR ('000)	SR ('000)
Balance at the beginning of the period/year	67,162	54,554
Group's share in associates' results for the period / year	7,943	12,678
Group's share in comprehensive income / (loss) of associates	52	(70)
Balance at the end of the period/year	75,157	67,162

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

AS AT 30 SEPTEMBER 2023

10 LEASES

Lease liabilities were presented in the statement of financial position as follows:

	<i>30 September 2023 (Unaudited) SR ('000)</i>	<i>31 December 2022 (Audited) SR ('000)</i>
Short-term liability	623	623
Long term liability	3,885	4,057
	4,508	4,680

The interest expense resulting from lease contracts during the period ended 30 September 2023 amounted to SR 255 thousand (30 September 2022: SR 270 thousand).

11 TRADE RECEIVABLES

Trade receivables comprise the following:

	<i>30 September 2023 (Unaudited) SR ('000)</i>	<i>31 December 2022 (Audited) SR ('000)</i>
Trade receivables	214,909	184,458
Trade receivables - related parties (Note 16)	42,604	40,498
	257,513	224,956
Provision for impairment of trade receivables	(4,369)	(4,369)
	253,144	220,587

12 LONG TERM LOANS AND FACILITIES

Term loans are presented in the interim condensed consolidated statement of financial position as the following:

	<i>30 September 2023 (Unaudited) SR ('000)</i>	<i>31 December 2022 (Audited) SR ('000)</i>
Current portion of term loans	54,954	42,789
Non-current portion of term loans	131,043	188,854
	185,997	231,643

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(Continued)

AS AT 30 SEPTEMBER 2023

12 LONG TERM LOANS AND FACILITIES (CONTINUED)

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

	<i>30 September 2023 (Unaudited) SR ('000)</i>	<i>31 December 2022 (Audited) SR ('000)</i>
Balance at the beginning of the period/year	231,643	256,608
Proceeds during the period / year	52,891	198,131
Paid during the period / year	(98,537)	(223,096)
	185,997	231,643

13 ZAKAT AND INCOME TAX PAYABLE

Zakat and Tax Ttatus

ARABIAN CEMENT COMPANY

The Company finalized its Zakat status up to the year ended 31 December 2013 and submitted its Zakat returns for the years ended 31 December 2014 up to 2018.

Zakat, Tax and customs Authority (“ZATCA”) issued Zakat assessment for the years ended 31 December 2014 up to 2018, which showed accrued Zakat differences at the value of SR 16.4 million. The Company paid accrued Zakat differences for the undisputed items which amounted to SR 2.6 million during the year ended 31 December 2020, the Company also objected to the Zakat assessment and ZATCA issued a revised Zakat assessment based on the resolution of the first instance Committee, which showed a decrease in Zakat differences by SR 3.5 million. The Company escalated the aforementioned objection to the Committee of Violations, Zakat, Tax and Customs dispute Settlement . The Committee issued a resolution, reducing zakat differences by SR 9.2 million. The Company escalated the aforementioned objection to the Appeal Committee of Violations, Zakat, Tax and Customs dispute Settlement for consideration and issuance of a decision regarding it, which is still under study by the committee to date. Later, ZATCA appealed against the said resolution, and the Company is currently checking whether this appeal is formally valid or not.

The Company has submitted the Zakat returns for the two years ended 31 December 2019 and 2020 and obtained an unrestricted Zakat certificate for the year 2020.

Zakat, Tax and Customs Authority (“ZATCA”) issued Zakat and withholding tax assessment for the two years ended 31 December 2019 and 2020, which showed total differences in Zakat and withholding tax due and a delay fine of SR 1.8 million. The Company filed an objection to zakat assessment for the mentioned two years and paid accrued zakat on the undisputed items at the amount of SR 83 thousand, in addition to paying the maximum amount of accrued zakat differences under the zakat assessment at 25% according to the Regulations, which amounted to SR 414 thousand.

ZATCA issued a revised Zakat and withholding tax assessment for the two years ended at 31 December 2019 and 2020, which showed a decrease in the differences in Zakat, withholding tax and the delay penalty due which amounted to SR 744 thousand, so that the amount as per the revised assessment amounted to SR 1.07 million. The Company escalated the aforementioned objection to the Committee of Violations, Zakat, Tax and Customs dispute Settlement for consideration. The Committee of Violations, Zakat, Tax and Customs dispute Settlement issued Resolutions No. 2022-2100-IZD and No. 2022-2025-IZD related to the Company's objection for the two mentioned years to reduce the full Zakat differences by SR 1.07 million. The Company appealed against both mentioned resolutions to the Appeal Committee of Violations, Zakat, Tax and Customs dispute Settlement to reconsider both resolutions and issue a resolution regarding them, which is still under study by the committee up to date.

The Company submitted Zakat returns for the year ended 31 December 2021 and 2022 and obtained an unrestricted Zakat certificate for the year 2021. ZATCA has not yet issued the final Zakat assessment for the said years to date.

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(Continued)

AS AT 30 SEPTEMBER 2023

13 ZAKAT AND INCOME TAX PAYABLE (continued)

Zakat and tax status (continued)

Oatrana Cement Company (subsidiary) – Jordan

Sales tax returns were audited by Income and Sales Tax Department up to the end of 2021. The Company also submitted sales tax returns to the Department up to the end of August 2023.

With regards to income tax, income tax returns were audited by Income and Sales Tax Department up to the end of the year 2022. The Company also filed income tax returns to the Department up to the end of 2022.

The Income and Sales Tax Department reviewed the income tax for the Company for the year 2014 and issued its initial decisions requesting the Company to pay tax differences resulting from a difference in the interpretation of the decision of the Investment Board exemptions. Accordingly, the objection was submitted to the Objection Committee of the Income and Sales Tax Department. On 21 September 2020, the objection decision was issued which included not to calculate investment promotion exemption on profits for the year 2014. However, the Company submitted its objection against the Department's decisions, and the files were transferred to the court to consider that dispute, and the Company did not calculate an additional provision for income tax as, according to the opinion of the legal advisor, the Company has strong defenses to win that case. On 31 January 2023, the First instance Court issued its decision which included the nullification of the contested decision, previously issued by the Objection Committee, and decided to consider the rounded losses for the year 2014, amounted to JD 8.5 million (SR 44.7 million), as stated in the lawsuit. The Income Tax and Sales Department decided to include the charges, expenses and an amount of JD 1,000 (SR 5.3 thousand) as attorney's fees. The above court's decision was appealed by the Income Tax and Sales Department and the case is still under the consideration of the Court of Tax Appeal.

The movement on the deferred tax assets was as follows:

	30 September 2023 (Unaudited) SR ('000)	31 December 2022 (Audited) SR ('000)
Balance at beginning of period/year	21,221	21,950
Additions and adjustments during the period/year	221	850
Transferred to the income tax provision	—	(1,579)
Balance at the end of the period/year	21,442	21,221

The movement on deferred tax liabilities was as follows:

	30 September 2023 (Unaudited) SR ('000)	31 December 2022 (Audited) SR ('000)
Balance at the beginning of the period/year	56,116	56,116
Balance at the end of the period/year	56,116	56,116

The differed tax assets and liabilities for the period ended 30 September 2023 is accounted for according to the Jordanian Income Tax Law No. (34) for the year 2018, which came into effect as of 1 January 2019. According to this law, the legal tax rate on the Company is 20%, in addition to the national contribution rate at 1% (2022: 20% in addition to the national contribution at 1%).

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(Continued)

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14 EARNING PER SHARE

A- Basic earnings per share

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

	<i>For the three-month period ended</i>		<i>For the nine-month period ended</i>	
	<i>30 September 2023</i>	<i>30 September 2022</i>	<i>30 September 2023</i>	<i>30 September 2022</i>
Profit for the period (SR in 000's)	29,692	58,954	106,853	145,886
Number of shares (weighted average - in thousands)	100,000	100,000	100,000	100,000
Basic earnings per share (SR)	0.30	0.59	1.07	1.46

B- Diluted EPS

The calculation of the diluted earnings per share is based on the profit distributable to shareholders of ordinary shares and the weighted-average number of outstanding ordinary shares after the adjustment of the effects of all dilutive potential ordinary shares, if any.

During the period, there are no transactions resulting in reducing the earnings per share and therefore the earnings per diluted share is not different from the basic earnings per share.

15 CONTINGENCIES AND CAPITAL COMMITMENTS

- As at 30 September 2023, the Group has contingencies represented in outstanding letters of guarantee and letters of credit of SR 35.9 million (31 December 2022: SR 31.78 million).
- As at 30 September 2023, the Group has capital commitments related to renovation of production lines, facilities and factories of the Group amounted to SR 3.3 million (31 December 2022: SR 3.8 million) and there are guarantees amounting to SR 27.3 million (31 December 2022: 29.3 million) provided to local banks against bank loans and facilities for a subsidiary.
- There are lawsuits filed against the subsidiary, with a value of JD 124 thousand, equivalent to SR 655 thousand, as at 30 September 2023 (as at 31 December 2021: JD 129 thousand, equivalent to SR 681 thousand) in addition to cases with unspecified amounts. In the opinion of the subsidiary's management and its legal advisor the subsidiary has strong defenses against these cases, and a provision amounted to JD 10 thousand equivalent to SR 52 thousand were provided as at 30 September 2023 to confront these potential obligations.

16 RELATED PARTIES' DISCLOSERS

Related parties represent major shareholders, members of the Group's board of directors, key management personnel in the Group, and entities that are managed or over which significant influence is exercised by these parties. The related parties of the Company are as follows:

<i>Description</i>	<i>Nature of Relationship</i>
Ready Mix Concrete and Construction Supplies Company (RMCC)	An associate
Cement Products Limited Company	An associate
Rolaco for Machinery and Heavy Machinery Company Limited	Company related to Board member
Group's BOD members	Other related parties
Key management personnel and senior executives	Other related parties

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16 RELATED PARTIES' DISCLOSERS (continued)

The following table summarizes related parties' balances as at 30 September 2023 and 31 December 2022:

	<i>Nature of transactions</i>	<i>Volume of transactions</i>		<i>Closing balance</i>	
		<i>For the nine-month period ended 30 September 2023 (Unaudited) SR ('000)</i>	<i>For the year ended 31 December 2022 (Audited) SR ('000)</i>	<i>30 September 2023 (Unaudited) SR ('000)</i>	<i>31 December 2022 (Audited) SR ('000)</i>
<i>Balance due from related parties under trade receivables (note 11)</i>					
RMCC "Associate"	Sales	50,480	58,218	42,604	40,498
<i>Balances due from related parties under other debit balances</i>					
RMCC "Associate"	Dividends	—	—	175	175
Cement Products Limited Company "associate"	Purchases	—	18,271	—	285
				175	460
<i>Balance due from related parties under trade payables</i>					
Cement Products Limited Company "associate"	Purchases	13,733	—	192	385
Rolaco for Machinery and Heavy Machinery Company Limited	Purchases	—	290	—	—
				192	385

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16 RELATED PARTIES' DISCLOSERS (continued)

B) Salaries and remunerations of key management personnel, senior executives of the Company and remuneration of BOD members:

	<i>For nine-month period ended</i>	
	<i>30 September</i>	
	<i>2023</i>	<i>2022</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR ('000)</i>	<i>SR ('000)</i>
Salaries and remunerations of key management personnel and senior executives of the Company	4,453	4,539
Salaries and remunerations of key management personnel and senior executives of the subsidiary	571	571
Remuneration of subsidiary's BOD members	360	360
Allowances for attending meetings of the Board of Directors and committees of the Company	324	300
Allowances for attending meetings of the Board of Directors and committees of the subsidiary	100	100
Board of directors remunerations	2,025	2,025

Key managers' benefits include basic salaries, remunerations and other benefits under the Group's policy. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly.

17 DIVIDENDS PAYABLE

On 27 February 2022, the Company's Board of Directors recommended distributing cash dividends to the shareholders for the second half of the year 2021 at an amount of SR 150 million, which represents SR 1.5 per share. Such dividends were approved during the (66) sixty-six ordinary general assembly meeting on 17 April 2022.

On 31 August 2022, the Company's Board of Directors recommended distributing cash dividends to shareholders at an amount of SR 110 million, which represents SR 1.1 per share. Such dividends were approved during the (67) sixty-seven ordinary general assembly meeting on 9 April 2023.

On 9 April 2023, the Company's Board of Directors recommended distributing cash dividends to shareholders at an amount of SR 110 million, which represents SR 1.1 per share. Such dividends were approved during the (67) sixty-seven ordinary general assembly meeting on 9 April 2023.

On 6 August 2023, the Company's Board of Directors recommended distributing cash dividends to the shareholders for the first half of the year 2023 at an amount of SR 75 million, which represents SR 0.75 per share.

The movement in accrued dividends during the period/year is as follows:

	<i>30 September</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR ('000)</i>	<i>SR ('000)</i>
Balance at the beginning of the period/year	12,314	12,346
Declared during the period / year	185,000	260,000
Paid during the period / year	(185,044)	(260,032)
	<u>12,270</u>	<u>12,314</u>

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18 INVENTORIES

	<i>30 September 2023 (Unaudited) SR ('000)</i>	<i>31 December 2022 (Audited) SR ('000)</i>
Spare parts – net	114,850	111,828
In progress products and finished inventory – net	305,870	294,523
Raw materials and fuels	65,256	45,094
Goods in-transit	4,383	3,373
	490,359	454,818

19 PROVISION FOR REHABILITATION

The Company's management conducted an internal study to estimate and calculate the quantities of earth materials to cover and protect exploration drillings and the costs of soil stabilization, rocky slopes and surfaces to be safe for humans and animals in all the Company's quarries, based on the areas exploited in the quarries after the mining period is over, as well as the average cost per cubic meter based on previous experiences, and a discount rate of 13.5% was used for the estimated amounts until the expiry date of licenses for quarries, estimated by twenty years. The calculation of the provision for rehabilitation is influenced and is considered highly sensitive if any of the previous key assumptions were changed.

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group's activities may expose the Group to a variety of financial risks. Market risk (including interest rate risk and currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Group's financial performance.

Risk Management Framework

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, and evaluates in close co-operation with the Group's operating units. The most important types of risk are credit risk, currency risk and fair value risk and cash flow interest rate risks.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The management team regularly meets and reports any changes and compliance issues to the Board of Directors through the audit committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

The audit committee oversees compliance by management with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Financial instruments in the statement of financial position include Cash and cash equivalents, trade receivables, short-term and Long term loans and facilities, trade payables, Lease liabilities and accruals and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and financial liabilities are offset and net amounts reported in the financial statements, when the Group has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

ARABIAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

AS AT 30 SEPTEMBER 2023

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Risk management framework (continued)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's obligations associated with floating interest rates. The Group manages its interest rate risk by continuously monitoring the movement in interest rates.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. During the year, the Group did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars, which is pegged against Saudi Riyals.

Credit Risk

Credit risk is the risk that counterparty will fail to meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and other financial instruments.

Trade Receivables

Customer credit risk is managed and governed by the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit assessment and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any sales to major customers are generally covered by letters of guarantee and letters of promissory notes. The largest customer represents 54% (31 December 2022: 38%) of the total outstanding trade receivable balance.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and liabilities, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. In addition, minor receivables are grouped into homogenous group and analysed for impairment collectively. The maximum amount of exposure is the carrying amount of the receivable disclosed in note 11.

Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter a difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by ensuring bank facilities are available when required. The Group's terms of sales require amounts to be paid within 30 to 90 days of the date of sale. Trade payables are normally settled within 60 to 120 days of the date of purchase.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting arrangements.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)
AS AT 30 SEPTEMBER 2023

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Liquidity Risk (continued)

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments and current market interest rates.

	<i>Carrying values</i> <i>SR ('000)</i>	<i>Less than one year</i> <i>SR ('000)</i>	<i>More than one year</i> <i>SR ('000)</i>	<i>Contractual cash flows</i>	
				<i>Interest accruals for future periods</i> <i>SR ('000)</i>	<i>Total</i> <i>SR ('000)</i>
30 September 2023 (Unaudited)					
Trade and other payables	160,888	160,888	-	-	160,888
lease liability	4,508	623	3,885	-	4,508
Long-term loans	185,997	54,954	131,043	17,977	203,974
Dividends payable	12,270	12,270	-	-	12,270
	<u>363,663</u>	<u>228,735</u>	<u>134,928</u>	<u>17,977</u>	<u>381,640</u>
31 December 2022 (Audited)					
Trade and other payables	173,914	173,914	-	-	173,914
lease liability	4,680	623	4,057	-	4,680
Long term loans	231,643	42,789	188,854	29,988	261,631
Dividends payable	12,314	12,314	-	-	12,314
	<u>422,551</u>	<u>229,640</u>	<u>192,911</u>	<u>29,988</u>	<u>452,539</u>

CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders and maintain a strong capital base to support the sustained development of its businesses. The Group manages its capital structure by monitoring the return on net assets and making the required adjustments to it in the light of changes in economic conditions.

21 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the Board of Directors on 29 October 2023G (corresponding to 14 Rabi Al-Thani 1445H).