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TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)

Condensed Interim Financial Statements And Review Report
For the Three- and Nine-Month Periods Ended September 30, 2023

TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)

Condensed Interim Financial Statements
For the Three- and Nine-Month Periods Ended June 30, 2023
Together With Independent Auditor's Review Report

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

TO: **THE SHAREHOLDERS OF
TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **TABUK CEMENT COMPANY** (the "Company") as at September 30, 2023, the related condensed interim statements of profit or loss and other comprehensive income for the three- and nine-month periods, changes in equity and cash flows for the six months' period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard (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

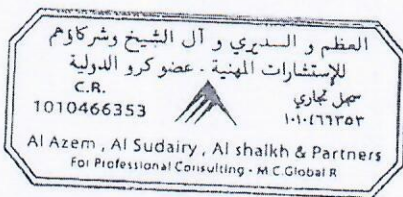
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of condensed interim financial statements consists of making 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 condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.

Other matters

The financial statements of the Company for the three months and nine-month periods ended September, 30 2022 were reviewed by another auditor who expressed an unmodified conclusion on those condensed interim financial statements on November 6, 2022. The financial statements of the Company for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 March 2023.



Al Azem, Al Sudairy, Al Shaikh & Partners
For Professional Consulting



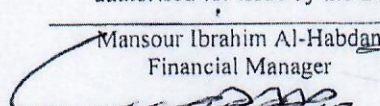
Abdullah M. Al Azem
License No. 335

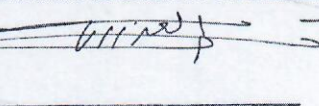
25 Rabi Al-thani 1445H (9 November 2023)
Riyadh, Kingdom of Saudi Arabia

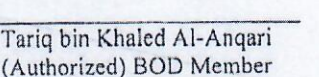
TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at September 30, 2023
(Saudi Riyal)

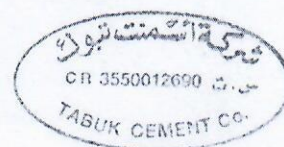
| | Note | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|------|-----------------------------------|--------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 4 | 920,876,740 | 959,119,151 |
| Investment properties | | 72,279,440 | 72,279,440 |
| Right of use assets | 6-1 | 7,038,447 | - |
| Equity investments at FVOCI | 5 | 305,090,709 | 295,201,417 |
| Intangible assets | 7 | 6,442,570 | 4,874,048 |
| Total non-current assets | | 1,311,727,906 | 1,331,474,056 |
| Current assets | | | |
| Inventories | | 280,627,203 | 258,517,543 |
| Trade receivables | | 27,244,572 | 17,627,304 |
| Prepayments and other current assets | | 16,872,437 | 12,298,069 |
| Cash and cash equivalents | 8 | 40,808,838 | 46,953,691 |
| Total current assets | | 365,553,050 | 335,396,607 |
| TOTAL ASSETS | | 1,677,280,956 | 1,666,870,663 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 9 | 900,000,000 | 900,000,000 |
| Statutory reserve | | 231,618,097 | 231,618,097 |
| Other reserve | | 135,741,959 | 125,852,667 |
| Retained earning | | 45,158,802 | 19,993,867 |
| Total equity | | 1,312,518,858 | 1,277,464,631 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Long term borrowing | 10 | 106,668,550 | 151,471,216 |
| Non-current portion of lease liabilities | 6-2 | 5,379,601 | - |
| Employees' defined benefit obligation | 11 | 18,357,190 | 16,135,397 |
| Total non-current liabilities | | 130,405,341 | 167,606,613 |
| Current liabilities | | | |
| Current portion of long-term loan | 10 | 63,470,883 | 63,470,883 |
| Current portion of lease Liabilities | 6-2 | 1,749,712 | - |
| Accrued expenses and other current liabilities | | 26,906,442 | 19,049,299 |
| Trade payable | | 13,869,249 | 12,223,887 |
| Dividends payable to shareholders | 12 | 119,960,318 | 120,371,949 |
| Zakat Provision | 13 | 8,400,153 | 6,683,401 |
| Total current liabilities | | 234,356,757 | 221,799,419 |
| Total liabilities | | 364,762,098 | 389,406,032 |
| TOTAL EQUITY AND LIABILITIES | | 1,677,280,956 | 1,666,870,663 |

The accompany from (1) to (24) are integrated part of these condensed interim financial statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders, and signed on its behalf by




 Ali bin Mohamed Al-Qahtani
 CEO


 Tariq bin Khaled Al-Anqari
 (Authorized) BOD Member



TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the three- and nine-month periods ended September 30, 2023
(Saudi Riyal)

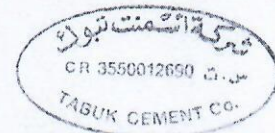
| | Note | For The Three Months Period Ended September 30, | | For The Nine Months Period Ended September 30, | |
|--|------|--|---------------------|---|---------------------|
| | | 2023 (Unaudited) | 2022 (Unaudited) | 2023 (Unaudited) | 2022 (Unaudited) |
| Revenue | 14 | 54,128,366 | 73,682,373 | 198,792,146 | 210,111,350 |
| Cost of revenue | | (48,615,130) | (54,792,730) | (147,708,705) | (173,117,901) |
| Gross profit | | 5,513,236 | 18,889,643 | 51,083,441 | 36,993,449 |
| Selling and marketing expenses | | (1,617,389) | (1,063,395) | (3,770,865) | (2,924,326) |
| General and administrative expenses | | (6,198,220) | (6,023,687) | (19,267,003) | (17,968,484) |
| Allowance for expected credit | | - | (565,283) | - | (565,283) |
| Other income /(Expenses) | 15 | 1,384,861 | (156,631) | 2,105,943 | (62,029) |
| Operating(loss)/ profit | | (917,512) | 11,080,647 | 30,151,516 | 15,473,327 |
| Effect on cash flow changes in financial liability | 10 | (851,780) | (1,134,631) | (2,800,497) | (3,648,209) |
| Finance cost | 16 | (1,428,968) | (1,817,991) | (4,416,547) | (5,884,424) |
| Dividends received | 5 | - | - | 5,080,463 | - |
| (loss) /Profit before zakat | | (3,198,260) | 8,128,025 | 28,014,935 | 5,940,694 |
| Zakat | 13 | (950,000) | (334,717) | (2,850,000) | (2,579,867) |
| Net (loss) /profit for the period | | (4,148,260) | 7,793,308 | 25,164,935 | 3,360,827 |
| Other comprehensive income | | | | | |
| <i>Items that will not be reclassified to profit or loss in subsequent periods</i> | | | | | |
| Unrealized gains on investments in equity instruments at FVOCI | | 9,889,292 | - | 9,889,292 | - |
| Re-measurement of defined benefit obligation | 11 | - | - | - | - |
| Other comprehensive income for the period | | 9,889,292 | - | 9,889,292 | - |
| Total comprehensive income for the period | | 5,741,032 | 7,793,308 | 35,054,227 | 3,360,827 |
| Earnings (loss) per share – basic and diluted | 17 | (0.046) | 0.087 | 0.28 | 0.037 |

The accompany from (1) to (24) are integrated part of these condensed interim financial statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders, and signed on its behalf by

Mansour Ibrahim Al-Habdan
Financial Manager

Tariq bin Khaled Al-Anqari
(Authorized) BOD Member

Ali bin Mohamed Al-Qahtani
CEO

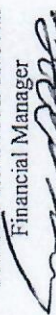


TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
For the nine-month period ended September 30, 2023
(Saudi Riyal)

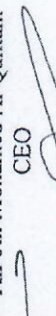
| | Share capital | Statutory reserve | Other reserve | Retained earnings | Total |
|--|--------------------|--------------------|--------------------|-------------------|----------------------|
| Balance at January 1, 2023 (Audited) | 900,000,000 | 231,618,097 | 125,852,667 | 19,993,867 | 1,277,464,631 |
| Profit for the period | - | - | - | 25,164,935 | 25,164,935 |
| Other comprehensive income for the period | - | - | 9,889,292 | - | 9,889,292 |
| Total comprehensive income for the period | - | - | 9,889,292 | 25,164,935 | 35,054,227 |
| Balance at September 30, 2023 (Unaudited) | 900,000,000 | 231,618,097 | 135,741,959 | 45,158,802 | 1,312,518,858 |
| Balance at January 1, 2022 (Audited) | 900,000,000 | 229,521,378 | 113,792,199 | 24,133,876 | 1,267,447,453 |
| Profit for the period | - | - | - | 3,360,827 | 3,360,827 |
| Other comprehensive income for the period | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | 3,360,827 | 3,360,827 |
| Dividends (Note No. 18) | - | - | - | (22,500,000) | (22,500,000) |
| Balance at 30 September 2022 (Unaudited) | 900,000,000 | 229,521,378 | 113,792,199 | 4,994,703 | 1,248,308,280 |

The accompany from (1) to (24) are integrated part of these condensed interim financial statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders, and signed on its behalf by

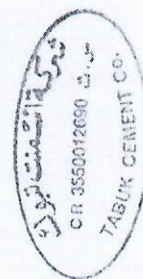
Mansour Ibrahim Al-Habdan
Financial Manager



Ali bin Mohamed Al-Qahtani
CEO



Tariq bin Khaled Al-Anqari
(Authorized) BOD Member

TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CASH FLOWS
For the nine-month period ended September 30, 2023
(Saudi Riyal)

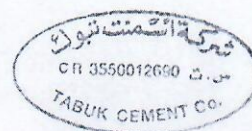
| | Note | For The Nine -Month Period Ended September 30 | |
|--|------|---|---------------------|
| | | 2023 (Unaudited) | 2022 (Unaudited) |
| Cash flows from operating activities | | | |
| Net profit for the period | | 28,014,935 | 5,940,694 |
| <i>Adjustments:</i> | | | |
| Depreciation on Property, plant and equipment | 4 | 44,151,669 | 44,297,321 |
| Amortization of intangible assets | 7 | - | 231,790 |
| Amortization of right -of -use assets | 6-2 | 413,296 | 1,395,535 |
| Allowance for expected credit | | - | 565,283 |
| Effect on cash flow changes in financial liability | 10 | 2,800,497 | 3,648,209 |
| Finance costs | | 4,416,547 | 5,884,424 |
| Loss from disposal of property, plant and equipment | | - | 156,631 |
| Provision for employees' end of service benefits | 11 | 2,803,478 | 2,782,126 |
| | | <u>82,600,422</u> | <u>64,902,013</u> |
| <i>Changes in working capital:</i> | | | |
| Trade receivables and other current assets | | (6,927,951) | (15,659,145) |
| Inventories | | (22,109,660) | 31,889,111 |
| Trade and other payable | | 9,502,505 | (6,184,516) |
| | | <u>63,065,316</u> | <u>74,947,463</u> |
| Zakat paid | 13 | (1,133,248) | (3,413,692) |
| Employees' end of service benefits paid | 11 | (581,685) | (1,764,893) |
| Net cash from operating activities | | <u>61,350,383</u> | <u>69,768,878</u> |
| Cash flows from investing activities | | | |
| Addition to property and equipment | 4 | (13,172,943) | (7,994,417) |
| Addition to intangible assets | 7 | (1,568,522) | (241,896) |
| Net cash used in investing activities | | <u>(14,741,465)</u> | <u>(8,236,313)</u> |
| Cash flows from financing activities | | | |
| Repayment of long- term loan | 10 | (47,603,163) | (47,603,163) |
| Payment of leased liabilities and interest | 6-2 | (417,153) | (1,446,728) |
| Finance costs paid | | (4,321,824) | (5,884,424) |
| Dividends paid | 12 | (411,631) | (22,817,155) |
| Net cash used in financing activities | | <u>(52,753,771)</u> | <u>(77,751,470)</u> |
| Change in cash and cash equivalents during the period | | <u>(6,144,853)</u> | <u>(16,218,905)</u> |
| Cash and cash equivalents at the beginning of the period | | 46,953,691 | 48,082,531 |
| Cash and cash equivalents at the end of the period | | <u>40,808,838</u> | <u>31,863,626</u> |
| Supplementary information for non-cash transactions: | | | |
| Transfer from projects in progress to PPE | 4 | 6,476,332 | - |
| Transferred from PPE to inventory and prepaid expenses | 4 | 7,263,685 | - |
| Additions to right of use assets | 6 | 7,451,743 | - |

The accompany from (1) to (24) are integrated part of these condensed interim financial statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders, and signed on its behalf by

Mansour Ibrahim Al-Habdan
Financial Manager

Tariq bin Khaled Al-Anqari
(Authorized) BOD Member

Ali bin Mohamed Al-Qahtani
CEO



TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine- month period ended September 30, 2023
(Saudi Riyal)

1. ORGANIZATION AND ACTIVITIES

a) 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 1 405H (corresponding to 22 March 1985). The Company is registered in the city of Tabuk under Commercial Registration No. 3550012690 on 25 Saffar 1415H (corresponding to 2 August 1994).

The Company's main activity is as follows:

- Ordinary Cement Industry (Portland)
- Salt-resistant cement industry
- Cement industry (clinker)

The Company operates under industrial license No. 42110217153 issued on 14 Muharram 1442H (corresponding to 1 October 2020) which expires on 16 Rabi' Al-Awwal 1445H (corresponding to 1 October 2023).

The registered address of the Company is: Al- Duba area, north of the city of Duba, next to the port of Duba, near the sea port of Duba, P.O. Box 122, Tabuk 71451, Kingdom of Saudi Arabia.

The accompanying condensed interim financial statements as of September 30, 2023 represent the business results, assets and liabilities of the company and its branches as follows:

| <u>Branch Name</u> | <u>CR number</u> | <u>City</u> |
|-----------------------------------|------------------|-------------|
| Tabuk Company for Gypsum Products | 3555001184 | Duba |

2. BASIS OF PREPARATION

2-1) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (SOCPA) and should be read in conjunction with the Company's last annual financial statements as at and for the year ended 31 December 2022 ("last annual financial statements"). They do not include all of the information required for a complete set of financial statements, however; accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

2-2) Preparation of the condensed interim Financial Statements

These condensed interim financial statements have been prepared on the historical cost basis, using the accrual basis and the going concern concept, except for the following:

- equity investment designated at FVOCI which is measured at fair value.
- employees' benefits which are measured at present value of the defined benefit obligation using the projected unit credit method

2-3) Use of estimates and judgments

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

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

2-4) Functional and presentation currency

These condensed interim financial statements are presented in Saudi Riyals ("SR"), which is the Company's functional and Company's presentation currency. All amounts have been rounded to the nearest SR, unless otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2022, except new standards, amendment to standards and interpretations as described below:

New standards, amendments to standards and interpretations

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2023 and has been explained in Company annual financial statements, but they do not have a material effect on the Company's condensed interim financial statements.

TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine- month period ended September 30, 2023
(Saudi Riyal)

4. PROPERTY, PLANT AND EQUIPMENT

For the purposes of preparing the condensed interim statement of cash flows, movement in property, plant, and equipment is as follows:

| | September 30, 2023 (Unaudited) | September 30, 2022 (Unaudited) |
|--|--------------------------------------|--------------------------------------|
| Depreciation on property, plant, and equipment | 44,151,669 | 44,297,321 |
| Additions of property, plant, and equipment | 13,172,943 | 7,994,417 |
| Transferred from machinery and equipment to inventory and prepaid expenses | 7,263,685 | - |
| Transfers from WIP to plant and equipment | 6,476,332 | - |

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

The Company owns as at September 30, 2023: 16,934,875 shares (December 31, 2022: 16,934,875 shares) in the Industrialization Energy Services Company (a closed Saudi joint stock company), equivalent to 2.36% (31 December 2022: 2,36%) of total capital share. The nature of this Company's business is power generation, and the investment was recorded at fair value. The investment is pledged against the loan granted to the Company (Note 10).

On 28/10/1444 H (Corresponding 18/5/2023) The General Assembly of the Industrialization and Energy Services Company approved the distribution of profits for the year 2022, of which the company's share amounted to 5,080,463 Saudi riyals, and on the date 6/7/2023 these distributions were collected.

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

6.1 Right of use assets

The following table shows the movement in the right to use assets during the year represented by leasing cars:

| | As of | |
|--|-----------------------------------|--------------------------------|
| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
| Balance at the beginning of the period/year | - | - |
| Additions during the period/year | 7,451,743 | - |
| Amortization during the period/year | (413,296) | - |
| Balance at the end of the period/year | 7,038,447 | - |

6.2 Lease Liability

This pertains to the amount of leases recognized as lease liabilities under IFRS 16. The details and movement of these are as follows:

| | As of | |
|--|-----------------------------------|--------------------------------|
| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
| Balance at the beginning of the period/year | - | - |
| Additions during the period/year | 7,451,743 | - |
| Finance cost during the period/year | 94,723 | - |
| Paid during the period/year | (417,153) | - |
| Lease liability at the end of the period/year | 7,129,313 | - |
| Current portion | 1,749,712 | - |
| Non-current portion | 5,379,601 | - |
| | 7,129,313 | - |

Expenses related to short-term and low-value leases for the period ending September 30, 2023 amounted to SAR 2,400,801 (September 30, 2022: SAR 1,366,921).

TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine- month period ended September 30, 2023
(Saudi Riyal)

7. INTANGIBLE ASSETS

For the purposes of preparing the condensed interim statement of cash flows, movement in intangible assets is as follows:

| | <u>September 30, 2023 (Unaudited)</u> | <u>September 30, 2022 (Unaudited)</u> |
|-----------------------------------|---|---|
| Amortization of intangible assets | - | 231,790 |
| Additions of intangible assets | 1,568,522 | 241,896 |

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

| | <u>September 30, 2023 (Unaudited)</u> | <u>December 31, 2022 (Audited)</u> |
|-----------------------|---|--|
| Cash in bank | 20,141,976 | 26,281,687 |
| Short term Murabaha * | 20,666,862 | 20,672,004 |
| | <u>40,808,838</u> | <u>46,953,691</u> |

** The company invested part of its surplus cash in Murabaha with maturities for three months or less with local bank, and these deposits bear returns according to market rate.

9. SHARE CAPITAL

The Company's share capital at September 30, 2023 amounted to SR 900 million (31 December 2022: SR 900 million) of 90 million shares (2022: 90 million shares) fully paid with a nominal value of SR 10 per share.

10. LOAN

The Company has bank loan with a local bank with a total amount of SR 170.13 million as at Sep 30, 2023 (31 December 2022: SR 214,9 million). 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 3:1 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 on a monthly basis, 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 September 30, 2023.

TABUK CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine- month period ended September 30, 2023
(Saudi Riyal)

10. LOAN (Continued)

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

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---------------------|--------------------------------------|-----------------------------------|
| Total Loan | 170,139,433 | 214,942,099 |
| Non-Current portion | 106,668,550 | 151,471,216 |
| Current portion | 63,470,883 | 63,470,883 |

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

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---|--------------------------------------|-----------------------------------|
| Balance at the beginning of the period/ year | 214,942,099 | 273,683,572 |
| Effect of financial liability cash flows adjustment | 2,800,497 | 4,729,410 |
| Paid during the period/year | (47,603,163) | (63,470,883) |
| Balance at the end of the period/ year | <u>170,139,433</u> | <u>214,942,099</u> |

On 11 November 2021, the facilities were renewed, and the loan rate was modified to become a three-month SIBOR plus 1% instead of a six-month SIBOR plus 1.25%. The payment is due in quarterly installments of SR 15.9 million. The last installment will be paid on 13 March 2026 instead of February 2024.

As a result of rescheduling the loan and modifying the terms, the Company performed a 10% test of the loan commitment in accordance with the requirements of IFRS 9 "Financial instruments" and this test resulted in a gain of SR 22, 758,671. This amount represents the difference between the present value of the loan under the terms before the modification and the present value of future cash payments under the terms of the loan being renegotiated and modified, discounted at the original effective interest rate of the loan. Since the difference is less than 10%, the amendment in the terms is not considered essential. and it is not accounted for as the disposal of the loan obligation and establishment of a new financial obligation. Accordingly, the present value of future cash payments is recognized in accordance with the terms of the modification using the original effective interest rate of the loan. and the difference is recognized as gain from the effect of the modification.

The loan is secured by an investment in the Industrialization and Energy Services Company, note (5). 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.

11. EMPLOYEES' DEFINED BENEFIT OBLIGATION

For the purposes of preparing the condensed interim statement of cash flows, movement as follows:

| | September 30, 2023 (Unaudited) | September 30, 2022 (Unaudited) |
|--|--------------------------------------|--------------------------------------|
| Charged to the statement of profit or loss | 2,803,478 | 2,782,126 |
| paid during the period | 581,685 | 1,764,893 |

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12. DIVIDENDS PAYABLE TO SHAREHOLDERS

The movement on dividends payable to shareholders is as follows:

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|--------------------------------------|-----------------------------------|
| Balance at the beginning of the period/ year | 120,371,949 | 121,079,857 |
| Dividends* | - | 22,500,000 |
| Paid during the period/year | (411,631) | (23,207,908) |
| Balance at the end of the period/ year | <u>119,960,318</u> | <u>120,371,949</u> |

* On March 27, 2022, the Company's Board of Directors recommended distributing cash dividends to shareholders for the year 2021 at the rate of SR 0.25 per share. which represents 2.5% of the nominal value of the share and a total amount of SR 22.5 million, which was approved during the thirty-fifth ordinary general assembly meeting dated 24 April 2022.

13. ZAKAT

The Company has finalized its zakat status for the years 2014 through 2018.

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 2022. The Company obtained a Zakat certificate valid until 30 April 2024.

With regard to the years 2019 and 2020, ZATCA issued zakat assessments with total additional zakat differences of SR 2,853,535 and SR 1,902,700 for the years ended 31 December 2019 and 2020, respectively. The Company objected to the assessment before the Zakat, Tax, and Customs Authority, and then the Company's objection was escalated before TVDRC. Then the Disputes Resolution Committee issued a decision rejecting the company's appeal, and accordingly, the company appealed the aforementioned declarations before the Tax Violations and Disputes Resolution Committee (TVDRC) immediately after the Resolution Committee rejected the Company's objection and the Company's appeal is still under study.

The movement in Zakat payable represented as follows:

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|--------------------------------------|-----------------------------------|
| Balance at the beginning of the period/ year | 6,683,401 | 6,956,392 |
| Charge of the period / year | 2,850,000 | 3,140,701 |
| Paid during the period/year | (1,133,248) | (3,413,692) |
| Balance at the end of the period/ year | <u>8,400,153</u> | <u>6,683,401</u> |

14. REVENUE

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

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market and major products.

Revenue is recognised at point in time for all products.

| | September 30, 2023 (Unaudited) | September 30, 2022 (Unaudited) |
|-----------------------------------|--------------------------------------|--------------------------------------|
| Primary geographic markets | | |
| Local | 192,323,124 | 187,580,118 |
| Export | 6,469,022 | 22,531,232 |
| | <u>198,792,146</u> | <u>210,111,350</u> |
| Major product types | | |
| Cement | 198,633,926 | 199,326,644 |
| Clinker | - | 10,706,946 |
| Other | 158,220 | 77,760 |
| | <u>198,792,146</u> | <u>210,111,350</u> |

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14. REVENUE (continued)

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

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|-----------------------|--------------------------------------|-----------------------------------|
| Trade receivables | 27,244,572 | 17,627,304 |
| Contract liabilities* | 2,748,987 | 1,045,399 |

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

15. OTHER REVENUE /(EXPENSES)

| | September 30, 2023 (Unaudited) | September 30, 2022 (Unaudited) |
|------------------------|--------------------------------------|--------------------------------------|
| Rental income | 1,600,000 | - |
| Deposit income | 505,943 | - |
| Miscellaneous expenses | - | (62,029) |
| | <u>2,105,943</u> | <u>(62,029)</u> |

16. FINANCE COST

| | September 30, 2023 (Unaudited) | September 30, 2022 (Unaudited) |
|-------------------------------|--------------------------------------|--------------------------------------|
| Loan interest | 4,321,824 | 5,884,424 |
| Interest of lease obligations | 94,723 | - |
| | <u>4,416,547</u> | <u>5,884,424</u> |

17. 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 financial statements.

| | September 30, 2023 (Unaudited) | September 30, 2022 (Unaudited) |
|-------------------------------------|--------------------------------------|--------------------------------------|
| Net Profit for the period | 25,164,935 | 3,360,827 |
| Number of shares (weighted average) | 90,000,000 | 90,000,000 |
| Basic earnings per share | <u>0.28</u> | <u>0.037</u> |

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

18. DIVIDEND

The general assembly in its meeting on 21 April 2022 has approved to distribute cash dividends amounting to SR 22.5 million representing SR 0,25 per share representing 2.5% of the Company's share capital.

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19. 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 September 2023 and the period ended 30 September 2022 are as follows:

| Transactions with | Nature of transaction | September 30, 2023 (Unaudited) | September 30, 2022 (Unaudited) |
|--------------------------|------------------------------------|--------------------------------------|--------------------------------------|
| Key Management Personnel | Salaries, wages and equivalents | 1,890,000 | 1,541,250 |
| | End-of-service benefits | 48,489 | 47,793 |
| BOD members | BOD's remunerations and allowances | 1,821,494 | 1,551,915 |

20. COMMITMENTS AND CONTINGENT LIABILITY

Contingent liability

Letter of guarantees

The Company's has letters of guarantees as at September 30, 2023 amounting to SAR 3,625,000 (December 31, 2022: SAR 3,625,000).

21. SEGMENTAL INFORMATION

Information regarding the Company's operating segments is set out below in accordance with IFRS 8 Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Company's Chief Operating Decision Maker (CODM) and used to allocate resources to the segments and to assess their performance.

The Company has one main product, which is packed and unpacked cement. The main sectors of the Company are presented according to geographical sectors. These segments are organized and managed separately according to the geographical location, each forming a separate unit. The geographical segments set out below are determined by distinguishing business activities from which the Company generates revenues and incurs costs. The economic characteristics are reviewed and the method of determining the geographical sectors is reconsidered in light of the evaluation made by the Chief Operating Decision Maker at least every quarter, provided that they are approved by the Company's Board of Directors. The Company operates in the Kingdom of Saudi Arabia and exports cement to some Arab countries, where payment is made in advance to all export customers before completing the sale process according to the data shown below:

| | Inside KSA | Outside KSA | Total |
|--|-------------|-------------|-------------|
| For period ended September 30, 2023 | | | |
| Revenue from contracts with customers | 192,323,124 | 6,469,022 | 198,792,146 |
| For period ended September 30, 2022 | | | |
| Revenue from contracts with customers | 187,580,118 | 22,531,232 | 210,111,350 |

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22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2. If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. As of 30 September 2023, the Company's equity investment designated at FVOCI was determined at level 3 of the fair value hierarchy. The carrying values of other financial assets and liabilities in the condensed consolidated interim statement of financial position approximate to their fair values.

23. SUBSEQUENT EVENTS

In the opinion of the management, there have been no significant subsequent events since the period-end that require disclosure or adjustment in these condensed interim financial statements.

24. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These Condensed Interim Financial Statements were authorized for issue by the Board of Directors on 25 Rabi Al-Thani 1445H (9 November 2023)