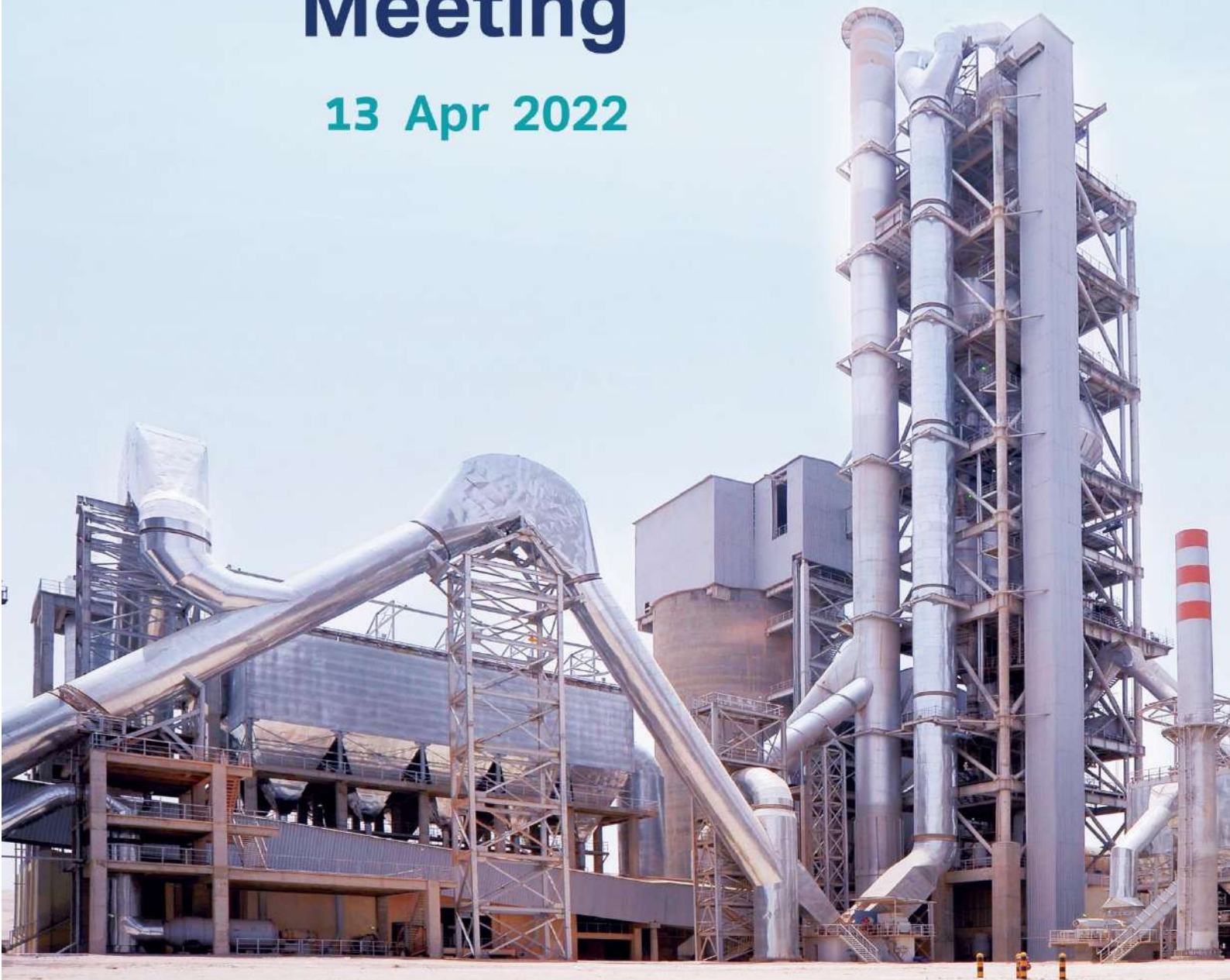


17th Ordinary General Assembly Meeting

13 Apr 2022



General Assembly Meeting Agenda

1. Vote on the Board of Directors' report for the fiscal year ended 31 December 2021 (attached).
2. Vote on the Auditor's report for the fiscal year ended 31 December 2021 (attached).
3. Vote on the financial statements for the fiscal year ended 31 December 2021 (attached).
4. Vote on absolving the Board members from liabilities for their activities pertain to management of the Company for the fiscal year ended 31 December 2021.
5. Vote on the appointment and determining fees of the external auditor for the Company from among the candidates on recommendation of the Audit Committee to examine, review and audit the Company's financial statements for the second, third and annual of fiscal year 2022G and first quarter of fiscal year 2023 (attached).
6. Vote on the Board of Directors' recommendation to distribute cash dividends for the second half of 2021 at the rate of 0.25 riyal per share, which represents 2.5% of the nominal value of the share with a total amount of 42.5 million riyals, provided the eligibility for dividend will be to Shareholders who own the shares at the end of trading on the day of General Assembly and those who are registered in the Company's register at Securities Depository Center at the end of second trading day following the due date. Dividend distribution date will be announced later. Thus, the total dividends distributed and proposed to be distributed for the year 2021 is 1 riyal per share representing 10% of the nominal value of the share with a total amount of 170 million riyals (attached).
7. Vote on the disbursement of an amount of SR 2,900,000 (Saudi Riyals two million nine hundred thousand only) as remuneration for the members of the Board of Directors at the rate of SR 300,000 (Saudi Riyals three hundred thousand only) for each member in addition to an additional remuneration of SR 200,000 (Saudi riyals two hundred thousand only) to the Chairman of the Board for the fiscal year ended on 31-12-2021 G.
8. Vote on the business and contracts that will be concluded between the Company and AMAK Mining Company in which the Chairman of the Board of Directors, Engr. Mohammed Aballala and members of the Board of Directors, Engr. Ayman Al-Shibl and the Managing Director, Mr. Abdulsalam Aldraibi, have direct interest in it for sale of 1,500 tons bulk cement worth SAR 300,000 as per customer's need with same conditions and prices that Company follows with its other customers.
9. Vote on the business and contracts that will be concluded between the Company and Yaal Arabya Company for Industry, Commerce and Contracting Ltd, in which the member of the Board of Directors Mr. Ali Hussein Bin Berman Al-Yami has direct interest in it for sale of 30,000 tons bulk cement worth SAR 5,800,000 as per customer need with same conditions and prices that Company follows with its other customers.
10. Vote on the business and contracts concluded between the Company and Yaal Arabya Company for Industry, Commerce and Contracting Ltd. in which a member of the Board of Directors, Mr. Ali Hussein Bin Berman Al-Yami has direct interest for sale of bulk cement where the value of business during 2021 amounted to 164,663 Riyals according to the prevailing commercial conditions.
11. Vote on delegation of powers to the Board of Directors as stipulated in Paragraph (1) of Article 71 of the Companies Law, for a period of one year from the date of approval of the General Assembly or until the end of the session of the delegated Board of Directors, whichever is earlier, in accordance with the regulatory rules and procedures issued pursuant to the Companies Law relating to listed Joint Stock Companies.
12. Vote on authorizing the Board of Directors to distribute interim dividends to shareholders on semi-annual or quarterly basis for the fiscal year 2022, and to determine the maturity and disbursement date as per the rules and regulations of the Company Law in line with Company's financial position, cash flows, expansion and investment plans.
13. Vote on amending the Charter of Audit Committee (attached).

Agenda Item (1)
Vote on the Board of Directors' report for the fiscal
year ended 31 December 2021

VISION رؤية
2030
رؤية المملكة العربية السعودية
VISION OF SAUDI ARABIA

Najran
CEMENT

NAJIRAN CEMENT COMPANY

Annual Report

Financial year

2021



Najran
CEMENT
NAJLAN CEMENT COMPANY

Najran Cement Company
Saudi Joint Stock Company

**9204 King Saud Road, - Najran 66256-3579,
Kingdom of Saudi Arabia**

Phone : 017 5299990 Fax : 017 5299991

website: www.najrancement.com

e-mail: info@najrancement.com

**The report of the Board of Directors of Najran Cement
Company to the Ordinary General Assembly of the
shareholders for the financial year 2021**

Paid up Capital
SAR 1,700,000,000



KING OF SAUDI ARABIA

CUSTODIAN OF THE TWO HOLY MOSQUES

KING SALMAN BIN ABDULAZIZ AL SAUD



His Royal Highness Prince

**MOHAMMED BIN SALMAN
BIN ABDULAZIZ AL SAUD**

CROWN PRINCE OF SAUDI ARABIA

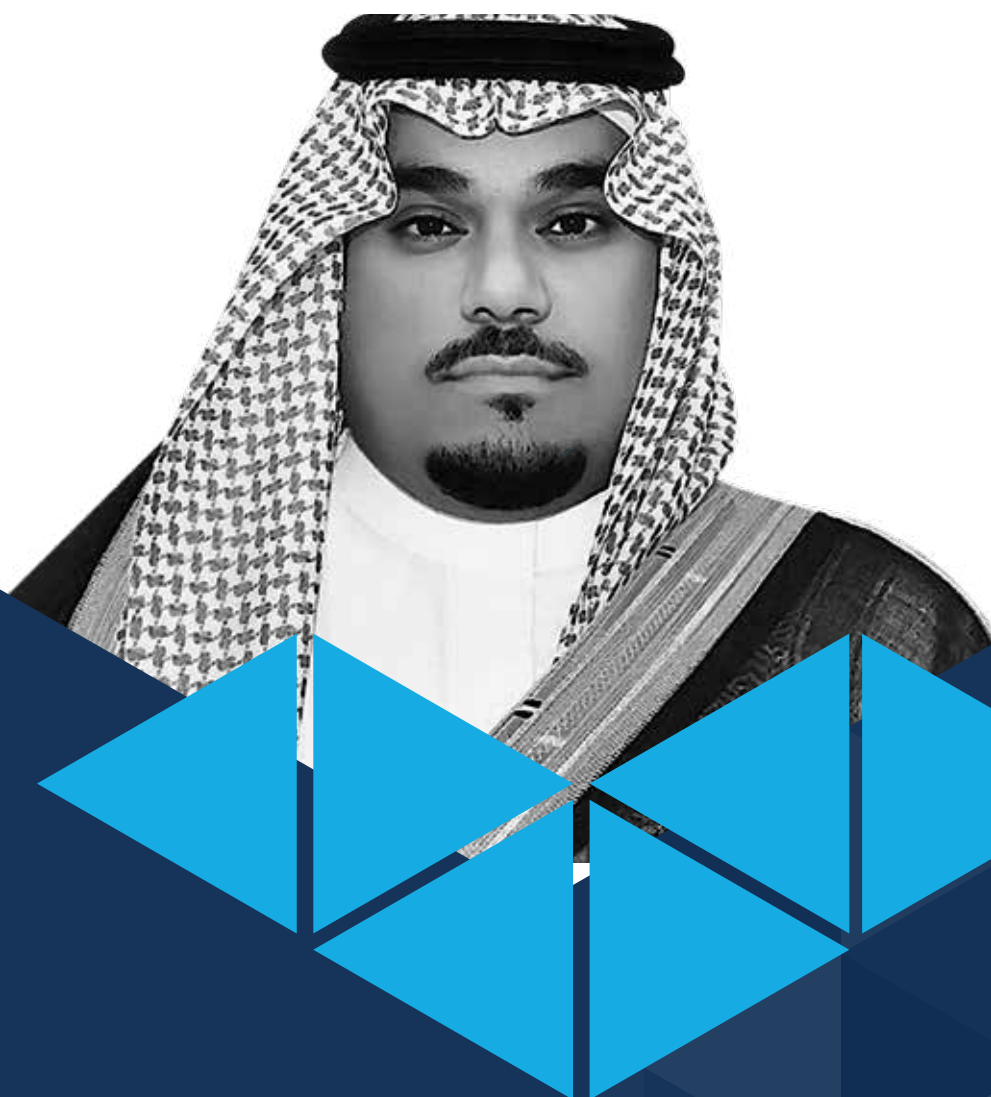
FIRST DEPUTY PRIME MINISTER OF SAUDI ARABIA



HIS HIGHNESS

**JALAWI BIN ABDUAZIZ
BIN MUSAED AL SAUD**

GOVERNOR OF NAJRAN REGION



HIS ROYAL HIGHNESS

**TURKI BIN HATHLOUL
BIN ABDULAZIZ AL SAUD**

DEPUTY GOVERNOR OF NAJRAN PROVINCE

1.Chairman's Message

Dear Shareholders of Najran Cement Company,

On behalf of the Board of Directors of Najran Cement Company, I am pleased to present to you the annual report on Najran Cement Company's activities and achievements for the financial year 2021 which reflects the Company's performance in delivering the expectations of its shareholders, contribution to support the cement industry and strengthening the national economy.

Despite the unprecedented disruptions caused by COVID-19 pandemic in the past two years, your Company managed to achieve healthy profitability during 2021 by recording a net profit of SAR 165.6 million, a 17.6% decrease compared to last year. This owes to several factors, most important of which is the continued reduction in cost of production and cost of sales by consistent implementation of several initiatives to rationalize costs and increase production and improving operating efficiency which was reflected directly on the Company's financial performance in the past years.

As a result of this healthy financial performance supported by healthy operating cash flow, the Company continued its effort to improve its financial position by reducing its debt to SR 278.5 million, the lowest level since establishment of the Company, thus reducing its loan to asset ratio to 11.6%. Furthermore, the Company managed to distribute a cash dividend amounting to SAR 127.5 million for the first half of 2021, in addition to the recommendation to distribute a cash dividend amounting to SAR 42.5 million for the second half of 2021, making the total cash dividend distribution for the year 2021 to SAR 170 million.

During 2021, the Company managed to start the commercial operation of its wholly owned transportation Company. This will support the Company in achieving its operational goals in the coming years.

The Company's management will continue its efforts to take its performance to new levels under the supervision and guidance of Board of Directors with an aim to achieve the aspirations and hopes of our Shareholders in accordance with the Kingdom's Vision 2030.

In conclusion, and on behalf of the Company's Board of Directors, I thank our Saudi Government for their continuous support, and I thank you dear Shareholders for your support and trust. I look forward to your continued support so that together we build a Company that delivers excellence.

Chairman of Board of Directors

Engr. Mohammad bin Manea bin Sultan Aballala



2. Company profile :

Najran Cement Company was established in 2005, as a Saudi Closed Joint Stock Company with a capital of 1,150 Million Riyals, where it obtained the first mining license according to the new mining system approved during the reign of King Abdullah bin Abdul Aziz, may God have mercy on him, to establish a project to manufacture cement in the Region, then turned to a Joint Stock Company listed in Tadawul during 2012.

The project includes the main factory located at Sultana, 240 km NorthEast of Najran city as well as a separate cement grinding unit located at Aakfah, 70 km to the West of Najran on the road to Asir region.

The idea of establishment came after conducting several studies and surveys to ensure the presence of raw materials suitable for the cement industry and based on the positive results obtained from the results of the analysis and characterization of raw materials and with the support of information provided by the Ministry of Petroleum and Mineral Resources. The site was identified as it contains most raw materials necessary for the cement industry, such as Limestone, Clay, Sandstone and Gypsum.

Our vision

To be a role model in the cement industry locally and regionally.

Our Mission

Enhance the position of the Company in the immediate markets by reliably providing high quality products, and to adhere to effective commercial practices in a way that maximizes economic benefits for all relevant parties.

Our strategy

- To contribute in achieving the goals of the Kingdom of Saudi Arabia's vision 2030, the most important of which is to increase the private sector's contribution to the GDP from 40% to 65% and raise the share of non-oil exports in non-oil GDP from 16% to 50%.
- **To work on maximize shareholders' equity through:**
 - Increase the Company's sales by meeting the needs of the local market and increasing the market share of the Company in a manner commensurate with its production capacity, in addition to obtaining an appropriate market share in the Republic of Yemen.
 - Reduce production costs to a competitive level by controlling costs and increasing the utilization of production lines.

3. Company's activities

Major activities of the Company are manufacturing and marketing of various types of cement. Mainly three types of cements are produced in its production facilities which are:

- (a) Ordinary Portland Cement (OPC).
- (b) Sulphate Resistant Cement (SRC).
- (c) Portland Pozzolona Cement (PPC).

The Company operates its business from two locations; the main Plant located in Sultana, 240 kms North East of Najran and a split Grinding Unit located at Aakfa, 70 kms to the West of Najran.

The table below shows the designed capacity for production of Clinker & Cement:

Description	Designed capacity in tons	
	Daily	Annual
Clinker	15,500	4,960,000
Cement	19,800	6,336,000

The impact of this activity on Company's business and its contribution to the results is as follows (in thousands):

Product	Revenue (SAR '000)	Percentage
Ordinary Portland Cement	538,312	92%
Sulphate Resistant Cement	22,499	4%
Portland Pozzolana Cement	20,742	4%
Total	581,553	100%

4. Subsidiary Company

Najran Cement has one wholly owned subsidiary as per the below details:

Name of subsidiary company	Paid up capital	Percentage of ownership	Main activity	Country of main operations	Country of incorporation
Wasl Al Janoub Road Transportation Company	SR 500,000	100%	Road transportation of goods	Saudi Arabia	Saudi Arabia



GOVERNANCE

5. Governance

5.1. Composition of the Board of Directors



Mohammed bin Mana Aballala

Chairman of the Board of Directors

Non-Executive



Mr. Salah bin Yaseen Allaf

Vice Chairman of the Board of Directors

Independent



Mr. Abdulsalam Abdullah Aldraibi

Member

Executive



Engr. Ayman bin Abdul Rahman Al – Shibl

Member

Executive



Mr. Abdullah bin Salim Al Wesaimer

Member

Non-Executive



Mr. Fahd bin Abdullah Al Rajhi

Member

Non-Executive



Mr. Waleed bin Abdul Rahman Al Mousa

Member

Independent



Mr. Waleed bin Ahmed Bamarouf

Member

Independent



Mr. Ali bin Hussein Al Yami

Member

Independent

5.2. Current roles, experience and qualifications of the Board of Directors

Najran Cement Company's Board of Directors is responsible for overall strategy and direction of Company's business. Najran Cement's Board of Directors consists of nine members appointed by the ordinary general assembly for a term of three years. Its three-year term began on 09-08-2019 and will end on 08-08-2022. Details of the members with their current roles, qualifications and experience are shown in table below.

Name	Current functions	Previous Jobs	Qualifications	Experience
Engr. Mohammed bin Mana Aballala	Chairman, Najran Cement Company Chairman, Al Masane Al Kobra Mining Co	Director of the Office of Military Works in Eastern Province	• Bachelor of Civil Engineering • BA & MA in Political Science	• 22 years' experience in Military works with Ministry of Defense and Aviation
Mr. Salah Yaseen Khalil Allaf	Managing Director and CEO - Arch Financial	• Banking Service Manager, HSBC • Manager of Business Development, HSBC • Customer Advisory Manager, NCB • Investment Marketing Manager, Riyadh Bank • Managing Director - Head of Private Banking for the Middle East at Emirates NBD	• Pre-Masters in Business Management from Delaware University, USA. • Bachelor Degree in Economics and business administration from King Abdul Aziz University	More than 20 Years experience in finance, banking, investment, assets management, and risk management.
Mr. Abdul Salam bin Abdullah Al-Draibi	Chief Executive Officer, Najran Cement Company General Manager, Wasl Janub Land Transportation Company	• Senior Investment Manager at Savola Group • Assistant Director - Swicorp Investment Banking • Financial Analyst - Swicorp Investment Banking • Financial Analyst in Riyadh Capital Asset Management	• MBA from University of Seattle, USA • Chartered Financial Analyst (CFA) • B.S - Management Information System from King Fahad University of Petroleum and Minerals, Dhahran	More than 13 years of experience in senior-level position and executive positions, member of Board of Directors and several committees, project management and business development, mergers and acquisitions, investment management, improving operational efficiency and efficiency of capital allocation, in addition to many training courses.
Engr. Ayman bin Abdul Rahman Al Shibli	CEO - United Medical Group	• Director - General Administration of Projects and Maintenance in Ministry of Health • General Manager of Thamrat Najran Company Limited	• Bachelor of Civil Engineering • Several certification courses in Engineering, Management and Information systems.	More than 36 years of experience in different organizations including 9 years in Government Sector and then moved to work in private sector.

Name	Current functions	Previous Jobs	Qualifications	Experience
Mr. Abdullah Bin Salim AlWesaimer	Chairman of the Board of Directors of Medad Land for Investments and Contracting	Pilot in Saudi Royal Air Force	• Master of Military Science	Held a number of leadership positions in the Saudi Royal Air Force
Mr. Fahd bin Abdullah Al Rajhi	Chairman of Fahad Al Rajhi Holding Company	General Manager of Treasury and Financial Institutions Group in Al Rajhi Banking Company	• Bachelor of Science in Industrial Management	More than 22 years of experience as Board member of several joint stock Companies
Mr. Waleed bin Abdul Rahman Al Mousa	Chief Investment Officer and BoD at Abdulrahman Almousa Holding, a Saudi Joint Stock Company	Manager, Global Structured Credit, Capital Markets at HSBC Bank Plc based in London Deputy Treasury Risk Manager at SABB	• Executive MBA with specialization in Finance & Entrepreneurship • B.Sc in Economics with Honors from Queen Mary University of London, UK • Holds several certifications in Securities, Derivatives, Risk and Valuation	Over 20 years' experience in banking and investments, mergers acquisitions, Corporate Turnaround with sound knowledge of setting family offices, setting strategy and procedures, corporate governance and succession planning, next generation employment.
Mr. Waleed bin Ahmed Mohammed Bamarouf	Certified Public Accountant, Accredited Business Valuer, Bankruptcy Trustee and Audit Partner with Talal Abu-Ghazaleh & Company.	CFO in Al Ahli Takaful Company	• Fellowship of the American Institute of Certified Public Accountants (CPA) • Certified Management Accountant (CMA) • Saudi Society of Certified Public Accountants (SOCPA) • Certified Internal Auditor Fellowship (CIA) • Accredited Business Valuator (ABV) • Executive MBA	• More than 9 years of experience as member of Boards of Directors and Audit Committees of several Joint Stock Companies • Over 25 years' experience in accounting, auditing, compliance and corporate governance.
Mr. Ali bin Hussein Borman Al Yami	Chairman of Board of Directors Ali Hussain Al Yami and Partner	Chairman of Borman & Kano Mining Company	• Bachelor of Business Administration • Diploma in Public Relations • Diploma in Management • Diploma in Accounting	Many honorary posts as well as many national and commercial committees and associations Chairman of the Board of Directors and member of several companies for more than 40 years

5.3 Committee members (outside Board of Directors)

Name	Current functions	Previous Jobs	Qualifications	Experience
Mr. Abdulelah bin Nasser Al-Haroura (Audit Committee member)	CFO of new digital Bank will be established by Derayah investment.	- Board member at Saudi Fransi for Finance Leasing and held Acting position of Chairman of Audit Committee. - Member of Risk Committee at Saudi Fransi for Finance Leasing. - Head of Accounting and Financial Control and Acting CFO at Banque Saudi Fransi, - Member of Audit Committee of Ahli Insurance Company. - Executive Vice President, Head of Financial Accounting, National Commercial Bank - Senior Revenue System Analyst, Partners Healthcare System Inc, Boston, USA	- ACCA- IFRS Diploma - Master of Finance from Northeastern University, USA - Bachelor of Science in applied Chemical Engineering, King Fahd University, Dhahran	- Having more than 16 years' experience in financial/banking sector and held many leading positions in Private and Nationalized banks. - Having 6 years' experience in healthcare industry in USA where his last position was Senior Revenue Analyst in a US firm. - Having more than 6 years' experience in several non-Executive positions as Board or Committee members. - Now is working with establishing team as CFO role to establish new digital Islamic bank in Saudi Arabia, which will be new to the Saudi market.
Mr. Nabeih Fakhri Zarie Al Jehani (Audit Committee member)	- Chief Financial Officer of Roots Group Arabia (RGA), Jeddah - Member of the American Institute of Certified Accountants. - Member of Joint Stock Companies in Jeddah Chamber of Commerce and Industry - Member of the Board of Directors of Qatar Cement Company in Jordan. - Member and Chairman of the Audit Committee at Ahli Takaful.	- Deputy CEO for financial Affairs in Arabian Cement Company, Jeddah - Financial Controller/Deputy Director of Finance - International Airports Projects, Jeddah - Group Finance Manager, Saudi Cable Company, Jeddah - Auditor Whinney Murray & Co, Jeddah	- Certified Public Accountant (CPA). - Master of Science in Accountancy from University of Illinois, USA	Having more than 25 years' experience in the field of accounting, finance, corporate governance, management, planning and leadership in reputable organizations. Also holds membership in Board of Directors and Committees of several Joint Stock Companies.
Engr. Haider Al Hertani (Independent Member, Executive Committee)	Managing Director Wartsila Power Contracting Company Ltd	- General Manager Business Development, Wartsila Saudi Arabia - Project Manager Shuqaiq Project Saudi Electricity Company	Bachelor of Applied Electrical Engineering from King Fahd University of Petroleum & Minerals, Saudi Arabia	- Having More than 18 years' experience in strategic and executive management through various capacities in the KSA energy sector. Held membership in the Board of Directors of United Power Company and a member in their Nomination & Remuneration Committee. - Attended several strategic and leadership courses/ events organized by reputable organizations/educational institutes.

5.4. Names of the companies within and outside the Kingdom in which the member of the Board of Directors of the company is a member of its current or former Boards of Directors member or its Directors

Name	Names of companies that are members of the Board of Directors as members of their current boards of directors or their directors	Within the Kingdom / outside the Kingdom	Legal entity (listed contribution / unlisted contribution / limited liability / ...)	The names of the companies that the members of the Board of Directors are members of the previous administrations or directors	Within the Kingdom / outside the Kingdom	Legal entity (listed contribution / unlisted contribution / limited liability / ...)
Eng. Mohammed bin Mana Aballala	Al Masane Al Kobra Mining Company	KSA	Unlisted	-	-	-
Mr. Salah Yaseen Allaf	Arch Capital Al Qaws Investment ASB Real Estate Holding B.I.G Munich 1 Property B.I.G Munich 1 Management OFS Verwaltungs	KSA KSA Outside KSA Outside KSA Outside KSA Outside KSA	Unlisted Limited Liability Limited Liability Limited Liability Limited Liability Limited Liability	-	-	-
Mr. Ayman bin Abdul Rahman Al Shibl	Al Masane Al Kobra Mining Company United Medical Group	KSA KSA	Unlisted Limited liability	Former General Manager of Thamarat Najran Company	KSA	Limited liability
Mr. Fahd bin Abdullah bin Al Rajhi	Raysut Cement Company Albaraka Turk Bank	Outside Outside	Listed Listed	Tabuk Agricultural Development Company Osool & Bakheet Investment Company	KSA KSA	Listed Limited liability
Mr. Abdullah Bin Salim AlWesaimer	Medad Al Ard Company for Investments and Contracting	KSA	Unlisted	-	-	-
Mr. Waleed bin Abdul Rahman Al Mousa	Abdulrahman bin Abdullah Al Mousa Holding Company	KSA	Unlisted	-	-	-
Mr. Waleed bin Ahmed Bamarouf	-	-	-	Rabigh Refining & Petrochemical Company Yanbu National Petrochemical Company (YANSAB) Etihad Atheeb Telecom	KSA KSA KSA	Listed Listed Listed
Mr. Ali bin Hussein Al Yami	Ali Hussain Al Yami and Partners	KSA	Partnershi	Borman & Kano Mining Company	KSA	Limited Liability
Mr. Abdulsalam Aldraibi	Al Masane Al Kobra Mining Company Wasl Janup Transportation Company	KSA KSA	Unlisted Limited Liability	-	-	-

5.5. A description of any interest, contractual securities or rights issue of Company's Board of Directors, Senior Executives and their relatives on Company shares or debt instruments of the Company or its subsidiaries, and any change in such interest or rights during the last financial year

a. The interests and rights of the members of the Board of Directors

Sr.No	Name of person	Number of shares beginning of year	Number of shares end of year Number of shares	Net change	Percentage change
1	Eng. Mohammed bin Mana Aballala	2,000	2,000	-	-
2	Eng. Ayman bin Abdul Rahman Al Shibl	20,000	20,000	-	-
3	Mr. Fahd bin Abdullah Al Rajhi	3,384	32,017	28,633	846%
4	Mr. Abdullah Bin Salim Al Wesaimer	1,264	1,264	-	-
5	Mr. Waleed bin Abdul Rahman Al Mousa	1,000	1,000	-	-
6	Mr. Waleed bin Ahmed Bamarouf	68,000	2,000	66,000	(97%)
7	Mr. Ali bin Hussein bin Borman Al Yami	10,000	10,000	-	-
8	Mr. Saleh Yaseen Khalil	350	350	-	-
9	Mr. Abdulsalam Aldraibi*	510,000	20,000	490,000	(96%)

b. The rights of wives and minor children of the members of the Board of Directors

Sr.No	Name of person	Relation	Number of shares beginning of year	Number of shares End of year	Net change	Percentage change
1	Mrs. Nora Abdulhamoud Al Qadi	W/o Abdulsalam Aldraibi	32,394	-	(32,394)	(100%)

c. The interest and rights of senior executives

Sr.No	Name of person	Number of shares beginning of year	Number of shares end of year Number of shares	Net change	Percentage change
1	Mr. Abdulsalam Aldraibi*	510,000	20,000	(490,000)	(96%)

**Mr. Abdulsalam Aldraibi is a member of the Board and CEO.

5.6. Information related to any business or contract to which the company is a party and in which a Director, Senior Executive or any person related to any of them has any interest in it

Related party	Relationship	Transaction	Duration	Value
Yall Al Arabya Company	Mr. Ali bin Borman Al Yami - Partner and member of Board of Directors	Sale of cement	One year	164,663.40

5.7. A brief description of the roles and duties of Committees

a. Audit Committee

The audit committee consists of non-executive Board members and members from outside the Company and their tasks in working with the Company's executive management can be summarized; to ensure the accounting system conforms to the accounting and financial standards; study and review the internal control systems; review the interim and annual financial statements of the Company and recommend the selection of auditors. The Company has appointed an advisory body to carry out internal auditing and performance evaluation of the various departments and to submit its reports to the Audit Committee periodically.

The Committee convened 06 times during 2021. Table below shows the attendance record of Audit Committee during 2021.

S.No	Name	Position	Number of meetings					
			1 04-01-2021	2 14-01-2021	3 23-02-2021	4 03-05-2021	5 03-08-2021	6 01-11-2021
1	Mr. Waleed bin Ahmed Mohammed Bamarouf	Chairman	√	√	√	√	√	√
2	Mr. Waleed bin Abdul Rahman Al Mousa	Member	√	√	√	√	√	√
3	Mr. Abdulelah Nasser Al Haroura	Independent member	√	√	√	√	√	√
4	Mr. Nabeih Al Jehani	Independent member	√	√	√	√	√	√

b. The recommendation of the Audit Committee regarding the need to appoint an internal auditor in the company if there is no internal auditor

The Company has engaged an external auditing firm to carry out internal audit of the Company.

c. The recommendations of the Audit Committee which are inconsistent with the decisions of the Board of Directors, or rejected by the Board regarding appointment, dismissal, determining fees of external auditor with justifications for those recommendations

There are no recommendations from the Audit Committee in which it contradicts the decisions of the Board of Directors, or the Board has refused to take action relating to the appointment, dismissal, determination of fees and performance evaluation of Company's external auditor or the appointment of internal auditor.

d. Executive Committee

The primary purpose of the Executive Committee is to assist the Board in performing activities and tasks as delegated to it by the Board of Directors to facilitate smooth operations of the Company. Other major tasks of the committee include – assisting the Board in defining and setting the vision and mission for the Company; formulate strategies, policies and general objectives of the Company, review budgets and periodic reports submitted by the Chief Executive; review and approve investment decisions in line with Company's approved strategies; follow up the implementation of the decisions of the Board of Directors with the management of the Company.

The Executive Committee is composed of four members from the Board and one member from outside the Company. The Committee has performed its duties and responsibilities through 06 meetings held during the year 2021. Table below shows the attendance of members in the Committee's meetings.

S.No	Name	Position	Number of meetings					
			1 26/01/2021	2 30/03/2021	3 22/06/2021	4 26/07/2021	5 21/09/2021	6 21/12/2021
1	Mr. Salah Yaseen Khalil Allaf	Chairman	√	√	√	√	√	√
2	Mr. Waleed bin Abdul Rahman Al Mousa	Member	√	√	√	√	√	√
3	Mr. Ali bin Hussein bin Borman Al Yami	Member	√	√	√	√	√	√
4	Mr. Abdulsalam Adullah Aldraibi	Member	√	√	√	√	√	√
5	Mr. Mohammed Al Nouri	Member (External)	√	√	Old member			
6	Engr. Haider Al Hertani	Member (External)	New member				√	√

e. Nomination & Remuneration Committee

The committee's main tasks are to set clear policies and standards for membership of the Board and Executive Management; prepare policies for remunerations of the Board members, Board Committees and the Executive Management; evaluate performance, propose rewards and compensations to the Board members and Senior Executives; study the strengths and weaknesses of the Board, propose solutions to address them; review human resources policies and procedures and provide recommendations to the Board. In addition, the Committee periodically reviews the remuneration policy, assessing its effectiveness in achieving the desired goals and recommends remuneration for members of the Board of Directors, its committees and the Senior Executives in accordance with the approved policy.

The Committee convened 05 times during 2021. Table below shows the attendance record of the Committee during the year.

S.No	Name	Position	Number of meetings				
			1 24-01-2021	2 31-03-2021	3 06-04-2021	4 23-06-2021	5 22-12-2021
1	Mr. Waleed Bamarouf	Chairman	√	√	√	√	√
2	Mr. Abdullah Bin Salim Al Wesaimer	Member	√	√	√	√	√
3	Mr. Ali bin Hussein Borman Al Yami	Member	√	√	√	√	√
4	Mr. Fahad Bin Abdullah Al Rajhi	Member	√	√	√	√	√

5.8. The means used by the Board to assess its performance, performance of its committees' members and the external body which conducted the assessment and its relation with the Company, if any

The Nomination and Remuneration Committee has prepared a model for evaluating the performance of the Board of Directors and its committees internally without seeking assistance of external party. The members of the Board participated in the evaluation process and gave their opinions. The results are analyzed by the Nomination and Remuneration Committee and submit their recommendations to the Board of Directors.

5.9. Executive Management

Details of Executive Management, their current roles, qualifications and experience are shown below.

Name	Current functions	Previous Jobs	Qualifications	Experience
Mr. Abdul Salam bin Abdullah Al-Draibi*	Chief Executive Officer since 1st Apr 2018.	• Senior Investment Manager at Savola Group • Assistant Director - Swicorp Investment Banking • Financial Analyst - Swicorp Investment Banking • Financial Analyst in Riyadh Capital Asset Management	• MBA from University of Seattle, USA • CFA • B.S - Management Information System from King Fahad University of Petroleum and Minerals, Dhahran	More than 13 years of experience in senior-level position and executive positions, member of Board of Directors and several committees, project management and business development, mergers and acquisitions, investment management, improving operational efficiency and efficiency of capital allocation, in addition to many training courses.
Engr. Muayad Matar Suleiman	Vice President Operations	• Regional Manager (Lafarge) • Production and Technical Manager (Atbara Cement Company, Sudan) • Technical Advisor -Yanbu Cement Company • Quality Manager -Jordan Cement Company	• Bachelor Engineering Degree in Chemical & Metallurgical Sciences	Having extensive career in the cement industry. Before joining NCC, he was working with Yanbu Cement Company as Technical Consultant.
Mr. Imran Ahmed Khan	CFO	• General Manager of Finance and Accounting SITARA Chemical Industries, Pakistan • Head of Finance Department, Attock Cement Company, Pakistan	• Chartered Accountant (Pakistan)	More than 30 years experience in financial management, financial reporting and tax administration.

5.10. Number of meetings of the Board of Directors held during the last financial year, dates of meeting, attendance record of each meeting listing the names of the attendees

The Board of Directors holds at least four meetings every year to review Company's progress in implementing strategic decisions, initiatives and achievements. Table below shows the attendance record of Board of Directors' meeting held during the year 2021.

Sr. No	Name	Number of meetings			
		1 31-03-2021	2 23-06-2021	3 22-09-2021	4 22-12-2021
1	Engr. Mohammed Bin Mana Aballala	✓	✓	✓	✓
2	Engr. Ayman bin Abdul Rahman Al Shibl	✓	✓	✓	✓
3	Mr. Fahd bin Abdullah Al Rajhi	✓	✓	✓	✓
4	Mr. Abdullah Bin Salim Al Wesaimer	✓	✓	✓	✓
5	Mr. Waleed bin Abdul Rahman Al Mousa	✓	✓	✓	✓
6	Mr. Waleed bin Ahmed Bamarouf	✓	✓	✓	✓
7	Mr. Ali bin Hussein bin Borman Al Yami	✓	✓	✓	✓
8	Mr. Salah Yaseen Khalil Allaf	✓	✓	✓	✓
9	Mr. Abdulsalam Abdullah Aldraibi	✓	✓	✓	✓

5.11. Statement of the dates of the General Assembly meetings held during the last fiscal year and the names of the Board Directors who attended

Annual General Assembly of the Company was held on 31 March 2021 at Company Headquarters in Najran. Due to Covid-19 pandemic and subsequent travel restrictions, the meeting was held by using the digital platform. Table below shows the attendance record of Board members in the General Assembly:

Sr. No	Name	AGM 31-03-2021
1	Eng. Mohammed bin Mana Aballala	✓
2	Eng. Ayman bin Abdul Rahman Al Shibl	✓
3	Mr. Salah Yaseen Khalil Allaf	✓
4	Mr. Abdulsalam Abdullah Aldraibi	✓
5	Mr. Fahad bin Abdullah Al Rajhi	✓
6	Mr. Abdullah Bin Salim Wesaimer	✓
7	Mr. Waleed bin Abdul Rahman Al Mousa	✓
8	Mr. Waleed bin Ahmed Bamarouf	✓
9	Mr. Ali bin Hussein bin Borman Al Yami	✓

5.12. The number of Company's requests for Shareholders records, dates and reasons of such applications

During the fiscal year 2021, the Company's Investor Relationship Department requested shareholders records three times through Tadawulaty service for reasons mentioned below:

Number of Company's application for the register of shareholders	Date of application	Reasons for request
1	31/3/2021	AGM
2	3/10/2021	Dividend Entitlement
3	31/12/2021	Corporate Action

5.13. Disclosure on remuneration of the Board members and Executive Management in accordance with Article (93) of Corporate Governance Regulations

a. Board of Directors' remuneration policy

i. The Nomination and Remuneration Committee shall recommend to the Board of Directors the remuneration of the members of the Board of Directors. The General Assembly of the Company shall determine the remuneration of the members of the Board of Directors.

ii. Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors shall determine the remuneration to be paid to the Chairman of the Board in addition to the remuneration paid to the members of the Board of Directors.

iii. The remuneration of the members of the Board of Directors shall consist of remuneration and financial or in-kind benefits. In all cases, the total sum of one member shall not exceed Saudi Riyal five hundred thousand (SAR 500,000) annually. The annual remunerations shall be divided among members in case of new Board members (by date of appointment).

iv. The Board of Directors shall determine the remuneration of the Secretary of the Board of Directors for attending the meetings of the Committee and any other allowances.

v. Members of the Board of Directors who reside outside the cities where the meetings of the Council or the General Assembly are held shall be entitled to pay all expenses incurred by them to attend meetings, provided that such expenses are reasonable and acceptable in accordance with business standards such as travel, meals, accommodation and other expenses which they have incurred.

vi. The remuneration shall be fair and proportionate to the terms of reference of the member and the duties and responsibilities carried out by the members of the Board of Directors, in addition to the objectives set by the Board of Directors to be achieved during the fiscal year. The remuneration shall also be commensurate with the Company's activity and the skill required to manage it.

b. Remuneration of Board's Committee Members

The Nomination and Remuneration Committee shall recommend to the Board of Directors the remuneration of members of committees emanating from the Board of Directors.

- i. The General Assembly of the Company shall determine the remuneration of the members of the Audit Committee. The Board of Directors shall determine the remuneration of the members of the other committees of the Board, Board Secretary and Secretaries of the Committees for their attendance in the meetings of the committees and any other allowances.
- ii. Members of the committees of the Board of Directors who reside outside the cities where the meetings of the Committee meet shall be entitled to pay all expenses incurred by them to attend meetings, provided that such expenses are reasonable and acceptable in accordance with business standards such as travel, meals, accommodation and other expenses which they have incurred.
- iii. The remuneration shall be fair and proportionate to the terms of reference of the member and the duties and responsibilities of the members of the committees emanating from the Board of Directors. The remuneration shall also be commensurate with the activity of the company and the required skills of the members.

c. Remunerations of Senior Executives

- i. The Nomination and Remuneration Committee shall recommend to the Board of Directors the remuneration of Senior Executives in the Company based on annual performance indicators and annual net profits of the Company. Annual bonus of Senior Executives is approved by the Board of Directors.
- ii. The Company is committed to follow fair remuneration practices and standard benefits that will attract and reward qualified executives.

d. Directors' remuneration (In thousand Riyals)

Name	Fixed remunerations							Variable remunerations						End of Service Award	Aggregate Amount	Expenses allowance
	Specific	Allowance for attending Board meetings	Total allowance for attending Committee meetings	In kind benefits	Remunerations for technical, managerial and consultative work	Remuneration of Chairman, Managing Director and Secretary if a member	Total	Percentage of the profits	Periodic remunerations	Short term incentive Plans	Long term incentive plan	Granted shares (insert the value)	Total			
Independent members																
Mr. Salah Yaseen Khalil Allaf	300	12	-	-	-	-	312	-	-	-	-	-	-	-	312	-
Mr. Waleed bin Abdul Rahman Al Mousa	300	12	-	-	-	-	312	-	-	-	-	-	-	-	312	-
Mr. Waleed bin Ahmed Mohammed Bamarouf	300	12	-	-	-	-	312	-	-	-	-	-	-	-	312	-
Mr. Ali bin Hussein bin Borman Al Yami	300	-	-	-	-	-	312	-	-	-	-	-	-	-	312	-
Total	1200	48	-	-	-	-	1,248	-	-	-	-	-	-	-	1,248	-
Non-Executive Directors																
Engr.Mohammed bin Mana Aballala	300	12	-	60**	-	200	572	-	-	-	-	-	-	-	572	-
Mr. Abdullah Bin Salim Al Wesaimer	300	12	-	-	-	-	312	-	-	-	-	-	-	-	312	-
Mr. Fahd bin Abdullah Al Rajhi	300	12	-	-	-	-	312	-	-	-	-	-	-	-	312	-
Total	900	36	-	60	-	200	1196	-	-	-	-	-	-	-	1196	-
Executive Directors																
Engr. Ayman bin Abdul Rahman Al – Shibl	300	12	-	-	-	360	672	-	-	-	-	-	-	-	672	-
Mr. Abdulsalam Abdullah Aldraibi	300	12	-	-	-	-	312	-	-	-	-	-	-	-	312	-
Total	600	24	-	-	-	360	984	-	-	-	-	-	-	-	984	-

* Fixed remuneration of members shown above are for the year 2020 which was approved by the General Assembly on 31 March 2021 and disbursed thereafter.

**In addition to the vehicle provided as per the approved remuneration policy.

e. Remunerations of Senior Executives (in thousand Riyals)

Name	Fixed Remunerations	Variable Remunerations	End of service benefits	Total remunerations for Board Executives, if any	Aggregate amount
Executive Management	3,494	2,862	316	-	6672

f. Committee Members Remuneration (in thousand Riyals)

Name	Fixed Remuneration (Except for the allowance for attending Board meetings)	Allowance for attending Board meetings	Total
Audit Committee**			
Mr. Waleed bin Ahmed Mohammed Bamarouf	100	18	118
Mr. Waleed bin Abdul Rahman Al Mousa	100	18	118
Mr. Abdulelah Nasser Al Haroura	100	18	118
Mr. Nabeih Fakhri Zarie Aljehani	100	18	118
Total	400	72	472
Executive Committee***			
Mr. Salah Yaseen Khalil Allaf (New session)	50	18	68
Mr. Waleed bin Abdul Rahman Al Mousa	50	18	68
Mr. Ali bin Hussein bin Borman Al Yami	50	18	68
Mr. Abdulsalam Aldraibi (New session)	50	18	68
Mr. Mohammed Bin Talal Al Nory (Previous external member)	50	6	56
Engr. Haider Al Hertani (New external member)	-	9	9
Total	250	87	337
Nomination and Remuneration Committee***			
Mr. Waleed Bamarouf	50	15	65
Mr. Abdullah Bin Salim Al Wesaimer	50	15	65
Mr. Ali bin Hussein bin Borman Al Yami	50	15	65
Mr. Fahad Al Rajhi (New session)	50	15	65
Total	200	60	260

* Fixed remuneration of members shown above are for the year 2020 which was approved by the General Assembly on 31 March 2021 and disbursed thereafter.

- All above mentioned remunerations of members of the Board of Directors and Executive Management are as per approved policies.

The members of the Board of Directors and Committees of the Board of Directors are entitled to the following remuneration:

- The Chairman of Board of Directors was granted an additional bonus of SAR 200,000 for his efforts in following up the Company's business for the fiscal year ended 31st Dec 2021.
- Members of the Audit Committee were granted a financial reward of SAR 100,000 per member for the financial year ended 31st December 2021.
- Members of the Board committees were granted a financial reward of SR 50,000 per member for their contribution during the financial year ended 31st December 2021.

g. Allowance to attend meetings

- Members of the Board of Directors and members of the committees (including members from outside the Board of Directors) shall receive a fixed financial remuneration of SAR 3,000 for attending meetings of the Board of Directors and its Committees.

5.14. The external auditor's report on the financial statements

The External Auditor has issued an unqualified opinion on the financial statements for the year ended 31-12-2021.

5.15. Results of the annual review of the effectiveness of the Company's internal control procedures

The internal auditor of the company submits periodic reports to the Audit Committee on operational, administrative and financial operations to verify the effectiveness of the internal control system and the periodic reports did not show any significant weakness in the internal control system of the Company.

The External Auditor assesses the internal control procedures as part of the Company's audit duties, where they are authorized to review all minutes of Board meetings, Board committees and internal audit reports.

5.16. Company declarations

Najran Cement Board of Directors according to the information available to it and based on the Company's auditor's report, current market data, as well as future indicators declares that:

- (a) the account records have been properly prepared according to the accounting standards issued by the Saudi Organization for Certified Public Accountants.
- (b) the system of internal control is sound in design and has been effectively implemented; and
- (c) there are no significant doubts concerning the Company's ability to continue its activity.

(d) there are no substantial business or contracts in which the company is a party or in which there was an interest for a member of the Board of Directors and Senior Executives or for any person related to any of them during the fiscal year 2021 except for what was mentioned in this report on contracts and business with related parties.

(e) there is no penalty, sanction or precautionary restriction imposed on Najran Cement Company by the Capital Market Authority or any supervisory, regulatory or judicial authority - except for what is mentioned in this report.

6. Corporate Governance

6.1 Provisions/items that do not apply to Najran Cement Company

- Najran Cement Company has not granted cash loan of any kind to its Board members or rendered guarantees for loans entered into by a Board member with third parties.
- Najran Cement Company has no interest in the class of voting shares held by persons (except for members of the Board of Directors, Senior Executives, their relatives) who have informed the Company of these rights.
- There are no classes and numbers for any convertible debt instruments, contractual securities, preemptive right or similar rights that have been issued.
- There are no rights, transfers, or underwriting under convertible debt instruments, contractual securities, underwriting notes, or similar rights issued or granted by the Company during the fiscal year.
- There are no arrangements or agreements whereby a member of the Company's Board of Directors or a Senior Executive waived any remuneration.
- There is no arrangement or agreement whereby a Shareholder of the Company waived any rights to dividends.
- There are no investments or reserves established for the benefit of the Company's employees.
- There is no recommendation from the Board of Directors to change the auditor before the end of the period for which they are appointed.
- The Company does not have any rights to transfer or subscribe under debt instruments convertible into shares.

6.2 A description of any redemption, purchase, or cancellation of any redeemable debt instruments and the value of such securities outstanding

The Company did not redeem, purchase or cancel any redeemable debt instruments.

6.3 Implemented and non-implemented provisions of Corporate Governance Regulations and justifications therefore

The Company has applied provisions of the Corporate Governance Regulations issued by the Capital Market Authority, except for the following provisions:

Article	Item No	Requirements	Reasons for non-implementation
41	(e)	Assessment The Board of Directors shall make necessary arrangements to obtain an assessment of its performance from a competent third-party every three years.	Guidance material to be applied in the future
41	(f)	Assessment The Non-Executive Directors shall carry out periodic assessment of performance of the Chairman	Guidance material to be applied in the future
70		Formation of Risk Management Committee	Guidance material to be applied in the future
72		The Risk Management Committee shall meet periodically (at least each six months) and whenever necessary.	Guidance material
85	2	Employee Incentives Establishing a scheme for granting Company shares or a percentage of Company profits and pension programs for employees and setting up an independent fund for such program.	Guidance material
85	3	Employee Incentives Establishing social institutions for benefit of the Company employees.	Guidance material
87		Social Responsibility	Guidance material
88	1	Social Initiative Establish measurement indicators that link the Company's performance to its social work initiatives and compare it to other companies engaged in similar activities.	Guidance material
88	4	Social Initiative Establishing awareness programs to the community to familiarize them with Company's social responsibility.	Guidance material
95		Formation of a Corporate Governance Committee	Guidance material



COMPANY PERFORMANCE

7. Performance

7.1. Operational performance

a. Clinker Production

The Company has three clinker production lines in its main factory with a total capacity of 15,500 tons per day and 4,960,000 tons annually. The Company's clinker production for the year 2021 touched 2,651,763 tons compared to 2,037,782 tons of the previous year, an increase of 613,981 tons equivalent to 30%. During 2021, the Company operated two of its production facilities - Line III throughout the year and Line I from 01 September 2021 onwards. As a result of this Company's clinker stock improved slightly to 1,058,436 tons by end of the year compared to 1,188,363 tons of similar period in 2020.

Company having unutilized portion of production capacity for both clinker production and cement grinding which were not utilized during 2021 due to low demand. In addition, Company having sufficient clinker stock to meet any surge in demand.

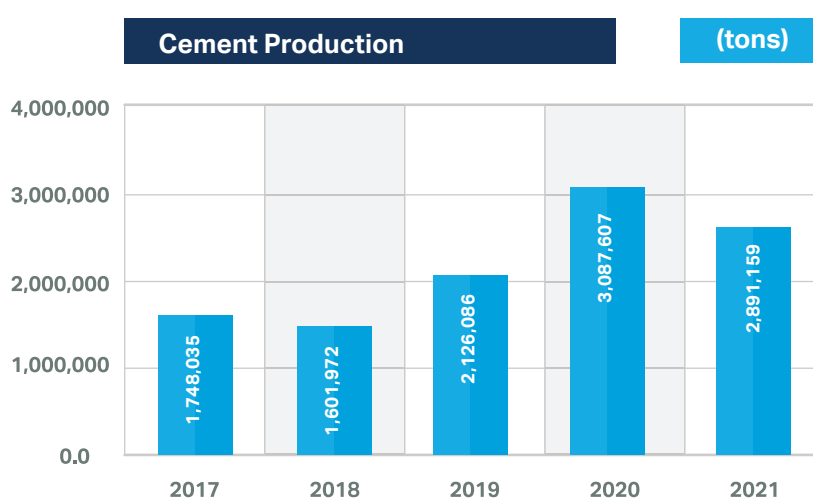
The following chart shows the company's total clinker production during the five years from 2017 to 2021(Thousand tons)



b. Cement Production

Company having total cement grinding facility of 6,336,000 tons annually. During 2021 Company produced 2,891,159 tons of cement compared to 3,087,607 tons in 2020; a drop by 6% due to low demand.

The following chart shows the company's production of cement during the five years from 2017 to 2021 (thousand tons)

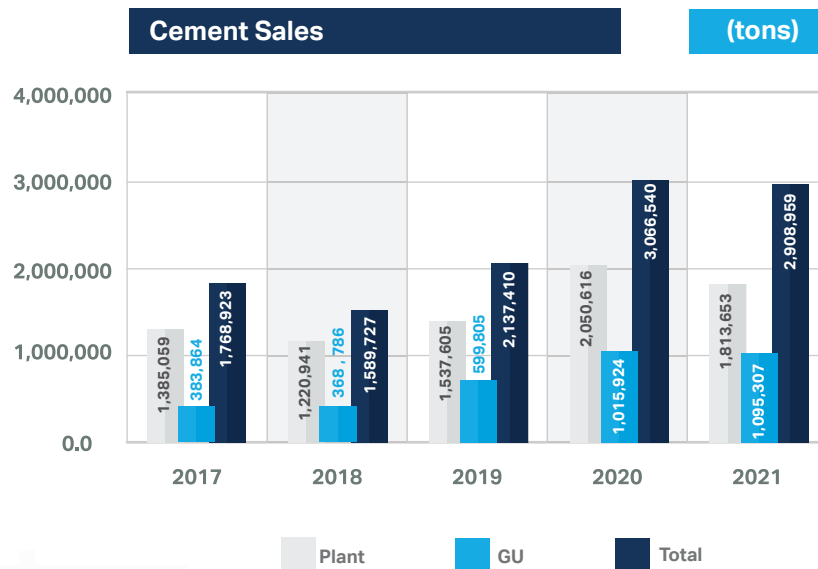


c. Marketing and Sales

A slow but sure recovery in demand growth has been in sight since Q3 2019 supported by Government's policy driven initiatives. However, the outbreak of COVID-19 pandemic in early 2020 disrupted the business and economic activities globally including the Kingdom of Saudi Arabia. This resulted into slowdown in construction activities and resultant drop in cement demand. Company's total cement sales during the year 2021 was 2,908,959 tons compared to 3,066,539 tons in 2020; dropped by 5% due to low demand.

Most of Company's sales went to the local markets in Southern Region and some quantities to the Republic of Yemen. The Company has obtained permit for cement export from the Ministry of Trade and Investment under license No 208 dated 22-09-1442H. The Company exported 207,198 tons of cement to the Republic of Yemen as of December 31, 2021. This represents about 7% of the Company's total sales of the year 2021.

The following chart shows the company's sales during
the five years from 2017 to 2021



7.2 Financial performance

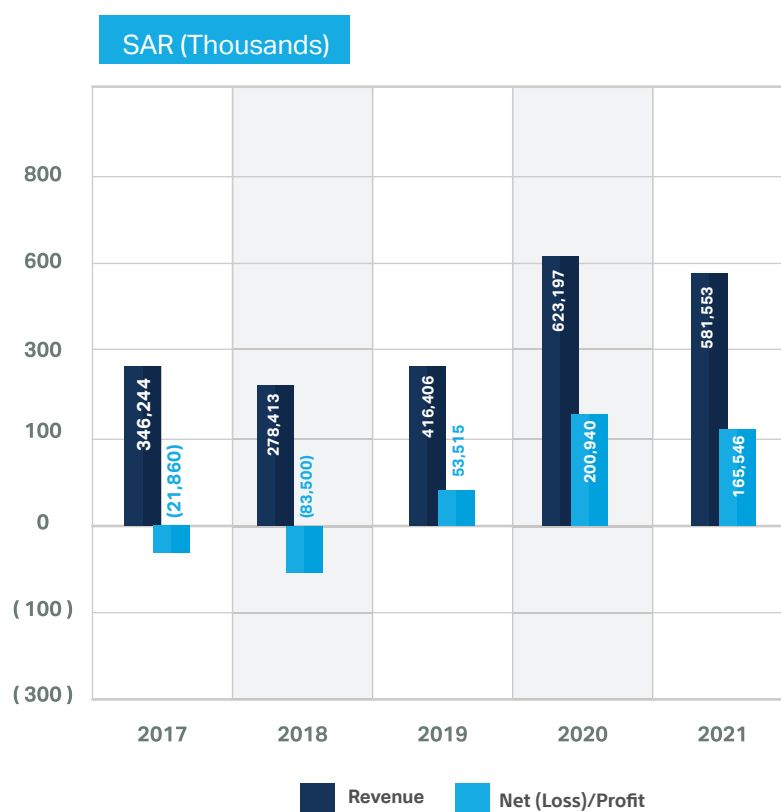
a. Explain any significant differences in operational results compared to preceding year's results

	2021 (SR,000)	2020 (SR,000)	Variance (SR,000)	Percentage Change
Sales revenue	581,553	623,197	(41,644)	-7%
Cost of revenue	(351,234)	(373,279)	22,045	-6%
Gorss Profit	230,319	249,918	(19,599)	-8%
Other Income	-	1,294	(1,294)	-
Operating expenses	(59,310)	(60,605)	1,295	-2%
Net profit before Zakat	171,009	190,607	(19,598)	-10%
Zakat income (loss)	(5,463)	10,333	(15,796)	-153%
Net profit (Loss) after zakat	165,546	200,940	(35,394)	-18%
(Other Comprehensive Income(Loss	(644)	(1,058)	414	-39%
Total Comprehensive income (loss)	164,902	199,882	(34,980)	-18%

b. Business results comparison (SR,000)

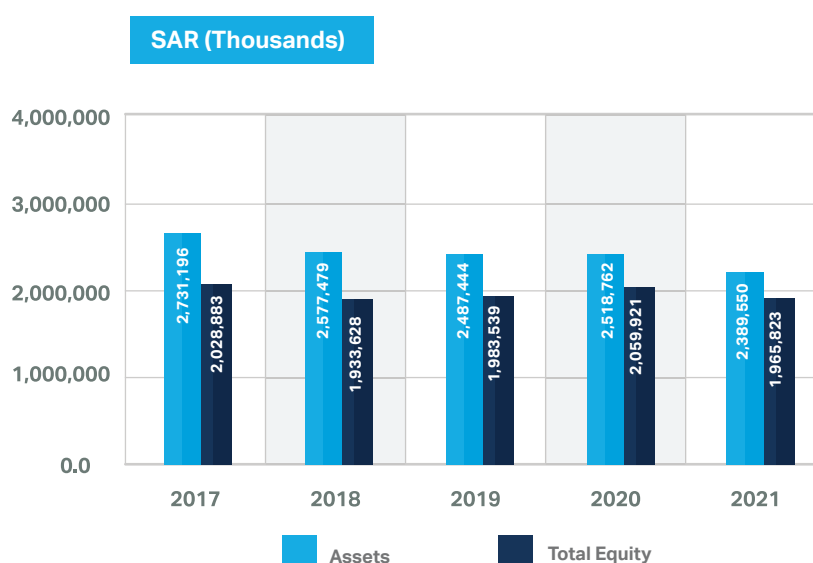
	2017	2018	2019	2020	2021
Revenue	346,244	278,413	416,406	623,197	581,553
Cost of Revenue	(299,332)	(292,366)	(297,192)	(373,279)	(351,234)
Gross Profit	46,912	(13,953)	119,214	249,918	230,319
S & D Expense, G&A and Fin Cost	(62,622)	(62,156)	(61,118)	(60,605)	(57,461)
Other Income	5,150	16	1,566	1,294	(1,849)
Net profit (loss) before zakat	(10,560)	(76,093)	59,662	190,607	171,009
Zakat	(11,300)	(7,407)	(6,147)	10,333	(5,463)
Net (Loss)/Profit	(21,860)	(83,500)	53,515	200,940	165,546
Other Comprehensive Income	(1,211)	1,893	(604)	(1,058)	(644)
Total Comprehensive (Loss)/Income	(23,071)	(81,607)	52,911	199,882	164,902
Net (Loss)Income/share	(0.13)	(0.49)	0.31	1.18	0.97
Total Comprehensive (Loss)/income/share	(0.13)	(0.48)	0.31	1.18	0.97

c. The following graph shows the evolution of net sales and net profits (losses) during five years from 2017 to 2021 (per thousand)



d. The Company's assets, liabilities and business results in the last five years

The following graph shows the development of assets and equity during the five years from 2017 to 2021 (thousands' riyals)



e. Comparison assets and liabilities (SR,000)

	2017	2018	2019	2020	2021
Current Assets	505,976	439,328	398,304	530,950	422,363
Non-current Assets	2,225,220	2,138,151	2,089,140	1,987,812	1,967,187
Total Assets	2,731,196	2,577,479	2,487,444	2,518,762	2,389,550
Current Liabilities	176,947	128,222	438,197	144,856	153,781
Non-current Liabilities	525,366	515,629	65,708	317,985	269,946
Total Liabilities	702,313	643,851	503,905	462,841	423,727
Shareholder's Equity					
Share Capital	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Statutory reserve	103,059	103,059	108,411	128,841	145,396
Retained earnings	225,823	130,569	175,128	227,080	120,427
Total Equity	2,028,882	1,933,628	1,983,539	2,055,921	1,965,823
Total Equity and Liabilities	2,731,196	2,577,479	2,487,444	2,518,762	2,389,550

7.3. Geographical analysis of the total revenues of the Company and its subsidiaries

Company's business and revenue were mainly concentrated in the local markets of Southern Region. Company having cement export permit from Ministry of Commerce and Investment issued under License No 208 dated 22-09-1442H. Cement export to Yemen contributed approx. 7% of total sales during the year 2021.

Geographical Area	2020		2021	
	Revenue (SR '000)	Percentage	Revenue (SR '000)	Percentage
Najran Region	174,200	28%	147,878	25%
Southern Region	324,959	52%	400,347	69%
Export and other Regions	124,038	20%	33,328	6%
Total	623,197	100%	581,553	100%

7.4 Disclosure of the total indebtedness of the Company and any amounts paid by the Company for repayment of the loans for the year, amount of the principal debts, the name of the grantor, loan term and remaining amount (SR,000)

S.No	Name of bank	Principal Amount	Loan Term	Balance at the beginning of the year	Paid during year	Balance amount	Total loan of the Company
(1)	Banque AlJazira	355,000	5 years	329,500	51,000	278,500	278,500

7.5. Social contributions

The Company believes in positive role in the society where it operates. In addition, Company takes care of environmental safety and health of those in the vicinity of its operations. Najran Cement's environmental monitoring program is enhanced to comply with new environmental regulatory standards. The Company has installed online stack monitoring devices at its main Plant & Grinding Unit.

The Company contributes to the social services and licensed charitable organizations in Najran region where donations were made in cash and in kind to a number of charity and social activities. In addition, the Company donated a total of SAR 1,049,096 to various charity organizations and social activities in the Region under Company's approved CSR program.

7.6. A statement of the value of the statutory payments due and payable on account of any zakat, taxes, fees or other charges, which have not been paid until end of the annual financial period with a brief description and reasons.

Details	2021		Details	Reasons
	Paid (SAR)	Amount due till end of financial year but not paid (SAR)		
Zakat	8,049,387	6,134,700	The company is subject to the regulations of the General Authority for Zakat and Income	Due amount to be paid in Apr 2022
VAT	56,575,038	3,644,177	The Company is subject to the regulations of the General Authority for Zakat and Income	Due amount to be paid in Jan 2022
GOSI	6,573,134	571,955	The Company is subject to the social insurance system	Due amount to be paid in Jan 2022
Cost of Visa & Passport	1,191,923	--	The Company renews residence permits for its workers, as well as exit and return visas	--



Risks and future outlook

8. Risk and Future Outlook

8.1. Information about any risks the Company faces (whether operational or financing risks or market risks) and the policy for managing and monitoring these risks

The Board of Directors is exerting all efforts to establish strong foundations to support the Company in carrying out its operations, developing resources and expanding activities. Company's risk management system aims to protect strategic objectives and activities, commitment to follow provisions of Corporate Governance regarding risk management and disclosure, increase efficiency of management, seize opportunities to increase value of Company assets and profitability in the long run. The Board of Directors, according to the information available to it, confirms that there is no doubt about the Company's ability to continue its activities.

Potential risks which may affect Company's future plans include but not limited to - increase in fuel prices supplied by ARAMCO, expansion of production capacity by existing Companies, entry of new competitors, pricing competition due to high clinker inventory and lower demand, higher freight and transport costs, higher costs and fees for expatriates' employment, higher export costs, political conditions in Najran border.

Risk of Novel Coronavirus (COVID-19) – The Outbreak of novel coronavirus in early 2020 spread disruptions to business and economic activity globally including the Kingdom of Saudi Arabia. However, the Company managed to maintain its profitable position. The Covid-19 pandemic has not impacted the economic activity and the Company's business considering its customer base is represented by cement sector which was not affected significantly in Saudi Arabia. Management is cognizant of the challenges that lie ahead and will continue proactively adapt in order to ensure optimum performance of the Company. The impact of Covid-19 may continue to evolve, but the management believes that Company has sufficient resources to continue in operational existence.

Company finances its operations through equity and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the Company is exposed to market risk, credit risk and liquidity risk:

a. Market Risk.

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk namely:

i. Profit rate risk. Profit rate risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market profit rates. The Company mitigates its risk against exposure through focusing on maintaining bank balances. As of the statement of financial position date the Company is exposed to profit rate risk on its borrowings.

During 2020 and 2019, the Company's borrowings at variable rate were denominated in SAR. The Company analyses the interest rate exposure on a quarterly basis. A sensitivity analysis is performed by applying a simulation technique to the liabilities that represent major interest-bearing positions. Various scenarios are run taking into consideration refinancing, renewal of the existing positions, alternative financing and hedging.

ii. Currency risk. Currency risks arises from the possibility that changes in foreign exchange rates will affect the value of financial assets and liabilities denominated in foreign currencies. The Company does not believe that it is materially exposed to currency risk as the majority of Company's transactions and the balances are denominated in Saudi Riyals or in US Dollars. US Dollar rate is fixed with the Saudi Riyal. Certain transactions are in Euros, but these are not material.

iii. Other price risk. Other price risk is that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices.

b. Credit Risk. Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contacted. Company's credit risk is primarily attributable to its liquid funds and receivables. Cash balances are deposited with major banks with good credit standings. Whilst a small number of customers account for a significant portion of both revenues and accounts receivable balances. These customers have provided appropriate guarantees ensuring that their debts will be recoverable. All major customers are high profile customers with the Kingdom of Saudi Arabia and there is no reason to suggest that there will be a loss of revenue from these sources.

c. Liquidity Risk. Liquidity risk is that the Company will not be able to meet its funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management monitors the maturity profile of its financial assets and liabilities to ensure that adequate liquidity is maintained. Management does not believe that the Company is exposed to liquidity risk substantially.

8.2. A description of the Company's significant plans and decisions (including changes to the structure, expanding the company's operations or halting them) and the future expectations

a. Capital Projects

As decided by the Board of Directors in its meeting held on 27th Nov 2019, the Company formed a subsidiary company named "Wasl Al Janub Land Transportation Company" under the Commercial Registration No. 5950119264 issued by the Ministry of Commerce on 23-12-1441H. The Company obtained operational license No 11/00007925 from the Transport General Authority on 02-08-1442H. It started operation with a fleet of 50 Trucks from 03-08-1442H and helps Najran Cement to minimize the dependency on external transporters for cement export and transportation of raw materials/fuel required for Plant operation. Moving ahead, the Board of Directors in its meeting held on 22nd Dec 2021 have decided to expand the subsidiary's activities by adding more fleets in a phased manner. In the first phase, the Company will add another 20 Trucks and expected to start operation during Q1 2022.

b. Operations

Company having three Clinker production lines with a total capacity of 15,500 tons per day and 4,960,000 tons annually. Line III facility with clinker production capacity of 6,500 tons per day was operational throughout the year 2021. Anticipating improvement in market demand, the Company resumed operation of another production facility "Line I" of capacity 6,000 tons from 01 September 2021 onwards. As a result of this the Clinker inventory improved comparing to same period of previous year. In addition, the Company having unutilized portion of clinker production/ cement grinding facilities and is ready for operation in case of any sudden surge in market demand. Company is continuously reviewing the operational cost in line with the operational requirements and changing circumstances. This initiative from the management has reduced the operational cost of the Company and expect further improvement in coming years.

c. Saudization Program.

In order to build the NCC of tomorrow the Company believe in the importance of a diverse workforce and an inclusive environment. Company is continuously working towards attracting and developing local workforce as part of its Saudization program. Despite the unprecedented challenges caused by Covid-19 pandemic, the Company committed in implementing the Saudization plan and could raise percentage of Saudization from 49.8% to 53.99% by end of 2021.

The Company has developed training plan for its employees and conducting individual development program for Saudi technical employees so that they can assume larger roles in the future through specialized training programs and work plans based on annual performance and skills evaluation.

The Company gives equal importance to women workforce in the Company and launched employment program to create job opportunities for women based on their qualifications and work conditions in the industrial environment. The first batch of women employees joined the Company during March 2021 and as of now a total of 17 female employees are working in various Departments of the Company.

e. Covid-19 Pandemic

Since early 2020, Covid-19 pandemic caused disruptions to businesses and economic activities around the World including the Kingdom of Saudi Arabia. The Company initiated many proactive steps in guarding the health and safety of employees and communities. The Company arranged vaccination campaign at its factory and as of now 100% of the employees received two dozes of vaccination. In addition to this 50% employees got the booster doze .



THE RIGHTS OF SHAREHOLDERS

9. Rights of Shareholders

9.1. Shareholders' proposals and observations regarding the Company and its performance

The Board of Directors shall be notified, through the Chairman of the Board, of the shareholders' proposals and their notes regarding the Company and its performance, or any other proposals. Note that the Company provided several channels to communicate with shareholders on its website.

9.2. A description of the Company's dividend distribution policy

The net annual profits of the Company shall be distributed after deducting all the general expenses and other costs, including Zakat, which are legally imposed as follows:

a. (10%) of the net profits shall be set aside to form the statutory reserve of the Company. The Ordinary General Assembly may decide to discontinue such reserve when the reserve reaches (30%) of the paid-up capital.

b. The Ordinary General Assembly, based on the proposal of the Board of Directors, shall determine the percentage of net profits to form an additional reserve for benefit of the Company.

c. The Ordinary General Assembly may decide to allocate other reserves, to the extent that serves Company's interests or ensures distribution of fixed profits as much as possible to the shareholders. The said assembly may also deduct from the net profits such amounts for setting up of or providing aid to existing social institutions for the Company's employees.

d. The remaining profits shall be distributed to the shareholders at a rate that represents 1% of Company's paid-up capital.

e. Subject to the provisions stipulated in Article (twenty-sixth) of Bylaw and Article 76 of the Companies Law, 10% percentage of the remainder shall be allocated to the remuneration of the Board of Directors after distribution to the shareholders of profits not less than 5% of the Company's paid-up capital, provided that the entitlement to this bonus is proportional to the number of meetings attended by the member.

f. The Ordinary General Assembly, based on the proposal of the Board of Directors, to take the appropriate decision regarding the remaining profits, in a manner that does not conflict with the decisions and instructions issued by the competent authorities in this regard.

g. The Company may distribute interim dividends (quarterly or biannual) to its shareholders after fulfilling the statutory requirements.

9.3. Payment of shareholders' equity

The dividends to be distributed to the shareholders in the place and the dates determined by the Board of Directors shall be paid in accordance with the instructions issued by the Ministry of Commerce and Investment and the Capital Market Authority.

Statement	First Half 2021	Second Half 2021	Total for Year 2021
Distribution date	17-10-2021	To be announced later	-
Percentage of dividend	7.5%	2.5%	10%
Total Dividend	SR 127.5 Million	SR 42.5 Million	SR 170 Million

9.4. Recommendations and proposals of the Board of Directors of the Company

Dear Shareholders,

Having reviewed with you the achievements of your Company, the Board of Directors is pleased to present to you at the Ordinary General Assembly the following recommendations and proposals:

1. Vote on the Board of Directors' report for the fiscal year ended 31 December 2021.
2. Vote on the Auditor's report for the fiscal year ended 31 December 2021.
3. Vote on the financial statements for the fiscal year ended 31 December 2021.
4. Vote on absolving the Board members from liabilities for their activities pertain to management of the Company for the fiscal year ended 31 December 2021.
5. Vote on the appointment and determining fees of the external auditor for the Company from among the candidates on recommendation of the Audit Committee to examine, review and audit the Company's financial statements for the second, third and annual of fiscal year 2022G and first quarter of fiscal year 2023.
6. Vote on the Board of Directors 'recommendation to distribute cash dividends for the second half of 2021 at the rate of 0.25 riyal per share, which represents 2.5% of the par value of the share with a total amount of 42.5 million riyals, provided the eligibility for dividend will be to Shareholders who own the shares on the day of Company's general assembly and registered in the Company's shareholders register at Securities Depository Center by the end of the second trading day following the day of general assembly, thus the total dividends distributed and proposed to be distributed for the year 2021 is 1 riyals per share representing 10% of the nominal value of the share with a total amount of 170 million riyals.
7. Vote on the disbursement of an amount of SR 2,900,000 (Saudi Riyals two million nine hundred thousand only) as remuneration for the members of the Board of Directors at the rate of SR 300,000 (Saudi Riyals three hundred thousand only) for each member in addition to an additional remuneration of SR 200,000 (Saudi riyals two hundred thousand only) to the Chairman of the Board for the fiscal year ended on 31-12-2021 G.
8. Vote on the business and contracts that will be concluded between the Company and AMAK Mining Company in which the Chairman of the Board of Directors, Eng. Mohammed Aballala and members of the Board of Directors, Engr. Ayman Shibl and the Managing Director, Mr. Abdulsalam Aldraibi, have direct interest in it for sale of 1,500 tons bulk cement worth SAR 300,000 as per customer's need with same conditions and prices that Company follows with its other customers.

9. Vote on the business and contracts that will be concluded between the Company and Yaal Arabya Company for Industry, Commerce and Contracting Ltd, in which the member of the Board of Directors Mr. Ali Hussein Bin Berman Al-Yami has direct interest in it for sale of 30,000 tons bulk cement worth SAR 5,800,000 as per customer need with same conditions and prices that Company follows with its other customers.

10. Vote the business and contracts concluded between the Company and Yaal Arabya Company for Industry, Commerce and Contracting Ltd. in which a member of the Board of Directors, Mr. Ali Hussein Bin Berman Al-Yami has direct interest for sale of bulk cement where the value of business during 2021 amounted to 164,663.40 Riyals according to the prevailing commercial conditions.

11. Vote on delegation of powers to the Board of Directors as stipulated in Paragraph (1) of Article 71 of the Companies Law, for a period of one year from the date of approval of the General Assembly or until the end of the session of the delegated Board of Directors, whichever is earlier, in accordance with the regulatory rules and procedures issued pursuant to the Companies Law relating to listed Joint Stock Companies.

12. Vote on authorizing the Board of Directors to distribute interim dividends to shareholders on semi-annual or quarterly basis for the fiscal year 2022, and to determine the maturity and disbursement date as per the rules and regulations of the Company Law in line with Company's financial position, cash flows, expansion and investment plans.

13. Vote on amending the Charter of Audit Committee.

Chairman of Board of Directors
Engr. Mohammed bin Mana Aballala



THE FINANCIAL STATEMENTS

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Najran Cement Company - A Saudi Joint Stock Company - ("the Company" or "the Parent Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in "the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unqualified opinion on those statements on 16 Rajab 1442(H), corresponding to 28 February 2021.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (Continued)

Revenue recognition	
Key audit matter	How the matter was addressed in our audit
The Group has recognized revenue from operations amounted to SR 581.5 million. The Group recognizes the revenue at a point in time when control over the goods is transferred to the customer, generally on delivery of the goods. Revenue is considered as a key audit matter as this requires the management to establish the fact that control over goods is transferred at the time of delivery in accordance with "IFRS 15 - Revenue from contracts with customers", and that the variety of terms that define when control is transferred to the customer as well as the high volume of the transactions give rise to the risk that revenue is not recognized in the correct period. The Group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the control has been transferred.	Our audit procedures to assess the recognition of revenue included the following: - Assessed Group's revenue recognition policy and its compliance in terms of IFRS 15; - Assessed the design and implementation of controls related to revenue recognition; - Performed tests on selected samples by tracing the individual sales transaction to sales invoices, sales orders and other related documents. Further in respect of the samples tested, we checked that the revenue has been recognized as per the shipping terms; - Selected sample of revenue transactions made pre- and post-year end and agreed the period of revenue recognition to third party support such as transporter invoice and customer confirmation of receipt of goods; - Assessed journal entries posted to revenue to identify the unusual items; and - Assessing the adequacy of the related disclosures.
Refer to note 6.18 for the accounting policy and note 21 for related disclosures.	

Existence and valuation of inventories	
Key audit matter	How the matter was addressed in our audit
The inventory of the Group includes raw materials and work in process amounted to SR 113.4 million. This mainly includes Clinker, Bauxite and Iron ore which are stored in stockpiles in yards. As the weighing of these inventories is not practically possible, management appoints an external surveyor to assess the reasonableness of the quantities on hand by obtaining measurements of the stockpiles and converting these measurements to unit of volumes by using angle of repose and bulk density. Existence and valuation of inventories is considered as a key audit matter because of the significance of inventory balances and related estimations involved in determining the quantities, existence and valuation of inventories.	Our audit procedures to assess the existence and valuation of inventory included the following: Attended physical inventory counts performed by the Group and the external surveyor; Evaluated the competence, capabilities and objectivity of the surveyor; Obtained and reviewed the inventory count report of the external surveyor for major stock items on sample basis; Assessed the reasonableness of management's measurements of stockpiles during the physical count and calculation of the conversion of stockpiles to the volumes; Tested the valuation of year-end inventory including NRV on sample basis; and Assessed the completeness and adequacy of disclosures relating to the inventories.
Refer to note 5 for significant accounting estimate and note 11 for related disclosure	

Other information

Other information consists of the information included in the Group's 2021 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2021 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA and Regulations for Companies and the Company's Bylaws / Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, in particular the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Dr. Mohamed Al-Amri & Co.

Maher Al-Khatieb
Certified Public Accountant
License Number 514
(H)

Jeddah on 7 March 2022 (G)
Corresponding to: 4 Shaban1443

NAJRAN CEMENT COMPANY

(A Saudi Joint Stock Company)

 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in '000' Saudi Riyals)

	Note	31 December	
		2021	2020
(Note 30)			
ASSETS			
Non-current assets			
Property, plant and equipment	8	1,963,093	1,983,741
Intangible assets	9	4,094	4,071
		1,967,187	1,987,812
Store, spare parts and loose tools	10	149,998	148,529
Stock in trade	11	119,327	133,716
Trade receivables	12	28,221	30,356
Prepayments and other receivables	13	42,727	46,780
Cash and cash equivalents	14	82,090	171,569
		422,363	530,950
TOTAL ASSETS		2,389,550	2,518,762
EQUITY AND LIABILITIES			
Equity			
Share capital	17	1,700,000	1,700,000
Statutory reserve		145,396	128,841
Retained earnings		120,427	227,080
TOTAL EQUITY		1,965,823	2,055,921
CURRENT LIABILITIES			
Non-current liabilities			
Provision for employees' benefits	15	36,849	33,438
Non-current portion of lease liability	16	5,597	6,047
Long term borrowing	18	227,500	278,500
		269,946	317,985
Current liabilities			
Provision for zakat	19	6,134	8,721
Current portion of lease liability	16	451	439
Current portion of long-term borrowing	18	51,515	51,542
Contract liability - advances from customers		5,158	6,467
Trade payables		44,744	45,025
Dividend payable	28	1,118	1,107
Accrued and other payables	20	44,661	31,555
		153,781	144,856
TOTAL LIABILITIES		423,727	462,841
TOTAL EQUITY AND LIABILITIES		2,389,550	2,518,762

The accompanying notes from (1) to (31) form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in '000' Saudi Riyals)

	Note	31 DECEMBER	
		2021	2020
		(Note 30)	
Revenue	21	581,553	623,197
Cost of revenue	22	(351,234)	(373,279)
Gross profit		230,319	249,918
Selling and distribution expense	23	(14,331)	(13,068)
General and administrative expense	24	(35,046)	(31,575)
Operating profit		180,942	205,275
Finance costs		(8,084)	(15,962)
Other (expenses) income, net	25	(1,849)	1,294
Profit before zakat		171,009	190,607
Zakat	19	(5,463)	10,333
Profit before zakat	30	165,546	200,940

Earnings per share			
Earnings per share attributable to the shareholders of the Company:			
Basic and diluted (SR)		0,97	1.18

Weighted average number of shares outstanding:			
Basic and diluted ('000 shares)		170,000	170,000

The accompanying notes from (1) to (31) form an integral part of the consolidated financial statements.

NAJRAN CEMENT COMPANY

(A Saudi Joint Stock Company)



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in '000' Saudi Riyals)

	Note	31 DECEMBER	
		2021	2020
			(Note 30)
Net profit for the year		165,546	200,940
Other comprehensive income ("OCI")			
Items not to be reclassified to consolidated statement of profit or loss in subsequent periods:			
Re-measurement of employees' end of service benefits	15.1	(644)	(1,058)
Other comprehensive income		(644)	(1,058)
Total comprehensive income for the year		164,902	199,882

The accompanying notes from (1) to (31) form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in '000' Saudi Riyals)

	Note	Share capital SR '000	Statutory reserve SR '000	Retained earnings SR '000	Total SR '000
As at 1 January 2021		1,700,000	128,841	227,080	2,055,921
Net profit for the year		-	-	165,546	165,546
Other comprehensive loss		-	-	(644)	(644)
Total comprehensive income for the year		-	-	164,902	164,902
Transferred to statutory reserve		-	16,555	(16,555)	-
Dividend	28	-	-	(255,000)	(255,000)
Balance as at 31 December 2021		1,700,000	145,396	120,427	1,965,823
As at 1 January 2020		1,700,000	108,411	175,128	1,983,539
Net profit for the year	30			200,940	200,940
Other comprehensive loss				(1,058)	(1,058)
Total comprehensive income for the year		-	-	199,882	199,882
Transferred to statutory reserve		-	20,430	(20,430)	-
Dividend	28	-	-	(127,500)	(127,500)
Balance as at 31 December 2020	30	1,700,000	128,841	227,080	2,055,921

The accompanying notes from (1) to (31) form an integral part of these consolidated financial statements.

NAJRAN CEMENT COMPANY

(A Saudi Joint Stock Company)

 CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in '000' Saudi Riyals)

	Note	31 DECEMBER	
		2021	2020
OPERATING ACTIVITIES			
Profit for the year		171,009	190,607
Adjustments for non-cash items:			
Depreciation	8	73,856	76,143
Amortization		26	49
Loss on sale of property, plant and equipment		28	253
Provision for bad debts	11	232	715
Provision for slow moving inventory		-	1,500
Finance cost		8,084	15,962
Prior year settlement on Zakat provision		-	6,203
Provision for employees' benefits		4,395	4,388
Operating cash flow before working capital changes		257,630	295,820
Changes in working capital:			
Trade receivables		1,903	2,398
Store, spare parts and loose tools		(1,469)	(1,752)
Stock in trade		14,389	76,508
Prepayments and other receivables		4,053	(26,978)
Contract liability – advances from customers		(1,309)	2,235
Trade payables		(281)	18,980
Accrued and other payables		13,079	15,058
Cash generated from operating activities		287,995	382,269
Zakat paid	19	(8,050)	(6,390)
Finance costs paid		(7,890)	(15,962)
End of service benefits paid		(1,628)	(1,230)
Net cash generated from operating activities		270,427	358,687
INVESTING ACTIVITIES			
Additions to property, plant and equipment	8	(27,735)	(10,182)
Additions to intangible asset		(49)	(45)
Payment against project		(25,501)	(510)
Net cash used in investing activities		(53,285)	(10,737)
FINANCING ACTIVITIES			
Proceed from long term financing	18	-	355,000
Repayment of long-term financing	18	(51,000)	(425,500)
Payment of lease liability		(632)	(632)
Dividend paid		(254,989)	(127,401)
Net cash used in financing activities		(306,621)	(198,533)
Net change in cash and cash equivalents		(89,479)	149,417
Cash and cash equivalents at the beginning of the year		171,569	22,152
Cash and cash equivalents at the end of the year	13	82,090	171,569

The accompanying notes from (1) to (31) form an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021****(Expressed in '000' Saudi Riyals)****1. CORPORATE INFORMATION**

Najran Cement Company ("the Company" or "the Parent Company"), a Saudi Joint Stock Company, registered at Najran on 5 Ramadan 1426 (corresponding to 9 October 2005) under Commercial Registration number 5950010479. On 10 Shaaban 1437 (corresponding to 17 May 2016), the Company was granted an Industrial License, number 2446. The Company's shares are listed in the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia.

The principal activities of the Company are manufacturing of ordinary portland cement and cement resistant to salts.

These consolidated financial statements comprise the Company and its wholly owned subsidiary, Wasl Al Janub Land Transportation Company (together referred to as the "Group").

The Subsidiary Company is registered as a limited liability Company at Najran was established on 23 Dhul- Hijjah 1441 (corresponding to 8 August 2020) under Commercial Registration number 5950119264. On 02 Shaaban 1442 (corresponding to 15 March 2021), the subsidiary company was granted transportation License, number 11/00007925.

The principal activity of the Subsidiary Company is land transport of goods.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared on a going concern basis under historical cost convention except for otherwise disclosed in Note 6.14 below.

The consolidated financial statements are presented in Saudi Riyals (SR) which is also the financial currency of the Group.

The Company's financial year starts on January 1 each Gregorian year and ends on December 31 of the same year.

3. STATEMENT OF COMPLIANCE

The consolidated financial statements for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

NAJRAN CEMENT COMPANY

(A Saudi Joint Stock Company)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in '000' Saudi Riyals)

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

a. New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these are as follows:

IFRS	Summary	Effective date
Annual Improvements to IFRS: 2018-2020 Cycle	In May 2020, the IASB issued minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.	1 January 2022
Reference to the Conceptual Framework Amendments to IFRS 3	In May 2020, the IASB issued amendments to IFRS 3.11, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments introduce an exception to the general recognition requirement for liabilities and contingent liabilities acquired in a business combination that is within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 12 Service Concession arrangements.	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales proceeds and any related costs in profit or loss.	1 January 2022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in '000' Saudi Riyals)

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS (Continued)

IFRS	Summary	Effective date
Onerous Contracts Cost of Fulfilling a Contract Amendments to IAS 37	In May 2020, the IASB issued amendments to IAS 37.68A, which specify the costs a company includes when assessing whether a contract will be loss-making and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment.	January 1 2022
IFRS 4	Insurance Contracts-Amendments regarding the expiry date of the deferral approach.	1 January 2023
IFRS 9	Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2023
IFRS 17	IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes.	1 January 2023
Classification of Liabilities as Current or Non-current (Amendment to IAS 1)	The IASB, in its meetings held in June-July 2021, tentatively decided to amend IAS 1 with respect to classification of liabilities subject to conditions as disclosure of information about such conditions and to defer the effective date of the 2020 amendment by at least one year to 1 January 2024. The amendments require to defer settlement of the liability for at least twelve months after the reporting period to exist at the end of the reporting period and / or that right to defer settlement for at least twelve months after the reporting period is also subject to entity's compliance with specified conditions. The Amendment has provided clarification on the meaning of 'settlement' for the purpose of classification of a liability.	1 January 2024

NAJRAN CEMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in '000' Saudi Riyals)

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS (Continued)

b. New standards, interpretations and amendments effective in the current year

The following are the new standards, interpretations and amendments to standards that are effective in the current year which have not given rise to changes in the Group's accounting policies and have no impact on its consolidated financial statements:

IFRS	Summary	Effective date
Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9 and IAS 39	The major amendments provide relief from specific hedge accounting requirements. Additionally, the standards were amended to require change from IBOR to alternative benchmark rate that is accounted for by updating the effective interest rate.	1 January 2021
Covid-19-Related Rent Concessions beyond 30 June 2021	In March 2021, IASB issued an amendment to IFRS 16 which extended the COVID-19 related rent concessions beyond 30 June 2021. This amendment is applicable from annual reporting period beginning on or after 1 April 2021. Earlier application permitted, including in financial statements not authorized for issue at 31 March 2021	1 April 2021

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021****(Expressed in '000' Saudi Riyals)****5. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS**

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

5.1 Critical judgements

Judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as below:

a. Component parts of property, plant and equipment

The Group's assets, classified within property, plant and equipment, are depreciated on a reducing balance basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately. Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to mother asset, its pattern of consumption, and its replacement cycle/maintenance schedule.

5.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of preparing the consolidated financial statements, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the subsequent financial periods, are described below. The Group based its assumptions and estimates on parameters available at the date of preparing the consolidated financial statements. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021****(Expressed in '000' Saudi Riyals)****a. Provision for employees' benefit**

The Group's net obligation in respect of employees' benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The present value of the obligation is determined based on actuarial valuation at the statement of financial position date by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to an additional unit of employee benefit entitlement and measures. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan is based on the government bonds rate adjusted for an additional risk premium reflecting market yields on high quality Corporate bonds and with similar maturity.

b. Provisions and contingencies

Management makes regular assessments of its possible obligation to determine likelihood and magnitude of outflow of resources.

c. Useful lives of property, plant and equipment

Property, plant and equipment are depreciated over its estimated useful life, which is based on estimates for expected usage of the asset and expected physical wear and tear. Management has not considered any residual value as it is deemed immaterial.

d. Calculation of expected credit loss allowance

When determining the loss allowance on receivables, the Group estimates expected credit loss. The Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of loss arising on default. It is based on difference between the contractual cash flow due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

e. Provision for material extraction

The Parent Company exploits raw material in accordance with Mineral Resources Saudi Law (appendix 3). The Group estimation and expectations relating to quantities of exploited raw material to pay fees against site exploitation is based on such estimates as per the appendix.

 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2021****(Expressed in '000' Saudi Riyals)****5. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS
(Continued)****f. Existence of inventories**

Inventories comprise of purchased raw materials (Pozzolana, iron ore and bauxite), extracted materials (limestone and gypsum) and work in progress (mainly clinker) which are kept in stockpiles. Since weighing of these inventories is not practicable, management assesses the quantities on hand, at the year-end, by obtaining measurements of the stockpiles and converting these measurements, so obtained, to unit of volumes by applying related bulk densities taken through sampling. In doing so, management appoints an independent surveyor.

6. SIGNIFICANT ACCOUNTING POLICIES**6.1 Basis for consolidation****Control is achieved when the Group:**

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021****(Expressed in '000' Saudi Riyals)****6. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the Consolidated Statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Consolidated Statement of profit or loss and each component of other comprehensive income are attributed to the shareholders of the Group. Total comprehensive income of subsidiaries is attributed to the shareholders of the Group.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring its accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiary

Changes in the Group's ownership interests in subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2021

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6. SIGNIFICANT ACCOUNTING POLICIES (Continued)**6.2 Current versus non-current classification**

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

6.3 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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 — Methodologies 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.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis using level 1 or level 2 indicators, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Loans having fixed maturities are recorded at discounted values based on the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.4 Property, plant and equipment

Property, plant and equipment, except land which is not depreciated, are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Expenditure on repairs and maintenance is expensed, while expenditure for improvement is capitalized. Depreciation is provided over the estimated useful life lives of the applicable assets using the declining balance method and appropriate residual values. Group reviews the appropriateness of the rate of depreciation / amortization, useful life and residual values used for recording the depreciation on annual basis

The estimated annual rates of depreciation of the principal assets are as follows:

	Land	Buildings	Plant, quarry, machinery and other equipment	Vehicles	,Furniture fixtures and office equipment	Computers	Capital work in progress
Percentage	Not depreciated	2.5%	4% - 15%	10 % - 25%	10% - 12.5%	15%	Not depreciated

Capital work in progress includes all costs (including advance payments) which have not been reclassified as one of the asset classes noted above. Capital work in progress is re-classified as property, plant and equipment when the relevant performance tests have been satisfactorily completed. No depreciation is provided for in respect of capital work in progress.

6.5 Impairment of property, plant and equipment

At each reporting date, the Group reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount, and the impairment loss is recognized as an expense immediately in statement of profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of profit or loss and other comprehensive income.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021****(Expressed in '000' Saudi Riyals)****6.6 Intangible assets**

All costs paid to acquire the intangible assets are capitalized. It is stated at cost less accumulated amortization. The intangible assets of the Group are amortized over an estimated useful life using the straight-line method.

Intangible assets include software and licenses. Computer software licenses are capitalized based on the cost incurred to acquire and bring into use the specific software. Amortisation is charged to the statement of profit or loss on a straight line basis over an estimated useful life from the date the software is available for use. Cost associated with maintaining software programs are recognized as expense when incurred while development cost is capitalized on meeting certain criteria.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their respective economic useful lives, using the straight-line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization methods, residual values and estimated economic useful lives are reviewed at least annually. The Group tests an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount with its carrying amount either annually or whenever there is an indication that the intangible asset may be impaired. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Amortisation periods for license are determined primarily by reference to the unexpired license period, the conditions for license renewal and whether licenses are dependent on specific technologies. Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives from the commencement of related services.

6.7 Inventories including capital spares

Inventories are measured at the lower of cost or net realizable value. Cost is measured using weighted average method. Spare parts and other consumables are charged to expenses on purchase. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

The Group regularly reviews the net realizable value of inventories to assess any diminution in the carrying values. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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6. SIGNIFICANT ACCOUNTING POLICIES (Continued)**6.8 Trade receivable**

Trade receivables are carried at the transaction price related to a performance obligation less an allowance for doubtful debts. The Group assesses the allowance for doubtful debts using an expected credit losses (ECL) approach over the lifetime of the assets. The Group uses a provision matrix to measure the ECLs of trade receivables from customers while the government and quasi government customers are secured and are not included in ECLs.

Loss rates are calculated using a 'recovery rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off connected with the aging schedule of the outstanding receivables. Loss rates are based on actual credit loss experience over the past two years. For provisions against specific receivables, a customer-by-customer analysis of receivables is carried out at the end of each reporting period. Provisions are reversed only when the outstanding amounts are recovered from the customers and Group recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with this Standard. When a trade receivable is uncollectible, it is written off against the allowance for doubtful debts in the statement of profit or loss, based on the criteria defined in the Group's policy.

Where advances from customers have been received but goods are not delivered at the reporting period, it is classified as advances from customers and included in current liability.

Where the Group is entitled to any third-party claim, the corresponding amount such as clinker subsidies or custom duties refundable, the agreed amount is included in other receivables and other income, net of any provisions.

6.9 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash in hand and, balances with banks on current, deposit and saving accounts, and short-term highly liquid investments subject to insignificant risk of changes in values, which fall due in no more than three months and no restriction exists on their monetization on account of the Group.

6.10 Offsetting

A financial asset and financial liability is off-set and the net amount is reported in the balance sheet when a legally enforceable right to set-off the transactions is available and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021****(Expressed in '000' Saudi Riyals)****6.11 Zakat**

Zakat provision is provided for in accordance with Zakat, Tax and Custom Authority (ZATCA) regulations. Submission and disclosure of provisions in the financial statements shall be according to the Zakat and tax rules. The Group withholds taxes on certain transactions with non-resident parties as required under the Saudi Arabian Tax Laws. Withholding tax related to foreign payments on services are recorded as current liabilities.

6.12 Trade and accounts payables

Accounts payable are measured at their fair value, net of trade discounts. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

6.13 Provisions and other liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

6.14 Provision for employees' benefits

Provision for employees' terminal benefits is calculated based on Group's internal policy. The Group's net obligation in respect of defined benefit plans is calculated for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods.

Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income, in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

The Group recognises the following changes in the defined benefits obligation under 'operating cost' and 'general and administrative expenses' in the profit and loss account:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Interest expense.

The calculation of defined benefits obligation is performed annually by a qualified actuary using the projected unit credit method.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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6. SIGNIFICANT ACCOUNTING POLICIES (Continued)**6.15 IFRS 16 Leases**

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
 - the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
 - the Group has the right to direct the use of the identified asset throughout the period of use.
- The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The assets and liabilities from the lease are initially recognized and measured at the present value. Each lease payment is distributed between liabilities and financing cost. The cost of financing is charged to profit or loss over the lease term. The asset's right to use is amortized over the useful life of the asset or the term of the lease, whichever is shorter, on a straight-line basis.

- Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.
- Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021****(Expressed in '000' Saudi Riyals)****6.16 Statutory reserve**

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Group has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the issued share capital.

6.17 Contingent assets and liabilities

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

6.18 Revenue recognition

Revenue is measured under IFRS 15 at the fair value of the consideration received or receivable when a customer obtains control of goods at a point in time i.e on delivery and acknowledgement of goods. Revenue is recognized on the completion of performance obligation where the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns and trade discounts.

No element of financing component is deemed present as the sales are made either on cash or on credit term consistent with market practice.

6.19 Foreign currency translations

These consolidated financial statements are presented in Saudi Arabian Riyals (SR), which is the Group's functional currency. Transactions in foreign currencies are recorded using the exchange rates prevailing at the time of transaction. Foreign exchange gains or losses resulting from settlement of the transaction and translation at the period end are recorded according to exchange rates prevailing on that date and are recognized in the profit or loss account.

6.20 Cost of revenue

The cost of revenue is calculated on the basis of the cost of production of sold units charged with all actual direct costs, which shall include the cost of materials, production supplies, cost of labour, and amortizations of direct fixed assets, in addition to their share of indirect expenses.

 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2021****(Expressed in '000' Saudi Riyals)****6. SIGNIFICANT ACCOUNTING POLICIES (Continued)****6.21 Expenses**

Selling and distribution expenses comprise costs incurred in the distribution and sale of the Group's products, including employee costs and transportation costs (including area discounts). All other operating expenses are classified as general and administrative expenses.

6.22 Earnings per share

Earnings per share are calculated by dividing the net profit (loss) for the year by the weighted average number of shares outstanding at year end.

6.23 Dividends and appropriations

Dividend and appropriation to reserves are recognized in the consolidated financial statements in the period in which approved by the Group's Board of directors.

6.24 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

6.25 Settlement date accounting

All regular way purchases and sales of financial assets are recognized and derecognized on the settlement date, i.e. the date on which the asset is delivered to the counterparty. When settlement date accounting is applied, the Group accounts for any change in fair value between the trade date and the settlement date in the same way as it accounts for the acquired asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2021****(Expressed in '000' Saudi Riyals)****6.26 Financial instruments****Financial assets**

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

(i) Fair value through profit or loss

This category comprises in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value (see "Financial liabilities" section for out-of-the-money derivatives classified as liabilities). They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive income in the finance income or expense line. As at the date of the statement of financial position, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

(ii) Amortised cost

These assets arise principally from the provision of goods and services to customers (eg trade receivables from related parties and third parties), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

The Group's financial assets measured at amortized cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

(iii) Fair value through other comprehensive income

These represents investments in listed and unlisted entities. As at the date of the consolidated statement of financial position the Group does not have any financial instruments designated as fair value through other comprehensive income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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6. SIGNIFICANT ACCOUNTING POLICIES (Continued)**6.26 Financial instruments (Continued)****Financial liabilities**

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Other than financial liabilities in a qualifying hedging relationship (see below), the Group's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value (see "Financial assets" for in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value). They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. As at the date of statement of financial position, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities**Other financial liabilities include the following items:**

- Bank and related party borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method

7. SEGMENTAL REPORTING

The Group is engaged in one operating segment, i.e., manufacturing cement and operates in the Kingdom of Saudi Arabia and certain foreign jurisdictions. Further, significant amount of liabilities of the Group are payable in Saudi Arabia. The financial information of the Subsidiary is not significant to Group's consolidated financial statements for segmental information.

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8. PROPERTY, PLANT AND EQUIPMENT

Land	Right of use asset	Buildings	Plant, quarry, machinery and other equipment	Vehicles	Furniture and fixtures, and office equipment	Computers	Capital work in progress	Total
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Cost: (SR'000)

1 January 2021	2,563	7,302	1,163,204	1,873,889	39,764	13,496	4,665	311	3,105,194
Additions	-	-	187	23,519	3,662	190	177	25,501	53,236
Disposal	-	-	-	-	(412)	-	(49)	-	(461)
Transfer	-	-	-	25,591	-	-	-	(25,591)	-
December 2021 31	2,563	7,302	1,163,391	1,922,999	43,014	13,686	4,793	221	3,157,969

Accumulated depreciation:

1 January 2021	-	(1,014)	(351,845)	(735,368)	(20,667)	(9,422)	(3,137)	-	(1,121,453)
Additions	-	(516)	(20,192)	(49,815)	(2,671)	(432)	(230)	-	(73,856)
Disposal	-	-	-	-	399	-	34	-	433
December 2021 31	-	(1,530)	(372,037)	(785,183)	(22,939)	(9,854)	(3,333)	-	(1,194,876)

Net book value:

At 31 December 2021	2,563	5,772	791,354	1,137,816	20,075	3,832	1,460	221	1,963,093
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in '000' Saudi Riyals)

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land	Right of use asset	Buildings	Plant, quarry, machinery and other equipment	Vehicles	Furniture and fixtures, and office equipment	Computers	Capital work in progress	Total
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Cost:

1 January 2020	2,563	7,302	1,163,204	1,863,683	39,330	13,169	4,462	1,630	3,095,343
Additions	-	-	-	8,377	1,275	327	203	510	10,692
Disposal	-	-	-	-	(841)	-	-	-	(841)
Transfer	-	-	-	1,829	-	-	-	(1,829)	-
31 December 2020	2,563	7,302	1,163,204	1,873,889	39,764	13,496	4,665	311	3,105,194

Accumulated depreciation:

1 January 2020	-	(512)	(330,983)	(684,323)	(18,238)	(8,966)	(2,876)	-	(1,045,898)
Additions	-	(502)	(20,862)	(51,045)	(3,017)	(456)	(261)	-	(76,143)
Disposal	-	-	-	-	588	-	-	-	588
31 December 2020	-	(1,014)	(351,845)	(735,368)	(20,667)	(9,422)	(3,137)	-	(1,121,453)

Net book value:

At 31 December 2020	2,563	6,288	811,359	1,138,521	19,097	4,074	1,528	311	1,983,741
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NAJRAN CEMENT COMPANY

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in '000' Saudi Riyals)

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

8.1 The allocation of depreciation expense between operating cost of revenue, selling and distribution expenses and general and administrative expenses is as follows:

	31 December 2021	31 December 2020
Cost of revenue	71,416	72,988
Selling and distribution expenses	1,727	2,140
General and administrative expenses	713	1,015
Total	73,856	76,143

9. INTANGIBLE ASSETS

	31 December 2021	31 December 2020
Cost		
At 1 January	8,766	8,721
Additions	49	45
Balance at 31 December	8,815	8,766
Amortization		
At 1 January	4,695	4,646
Amortization during the year (*)	26	49
Balance at 31 December	4,721	4,695
:Net Book Value		
December 31	4,094	4,071

(*) Amortization expenses is included in general and administration expenses.

10. STORES, SPARE PARTS AND LOOSE TOOLS

	31 December 2021	31 December 2020
Consumables spare parts – not for sale	155,321	153,852
Less: provision for obsolescence	(5,323)	(5,323)
Total	149,998	148,529

* During the year the management reclassified a spare parts amounted 35.9 million for the years 2020 and 2019 from property, plant and equipment to stores, spare parts and loose tools (Note 30)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in '000' Saudi Riyals)

11. STOCK IN TRADE

	31 December	31 December
	2021	2020
Raw materials, fuel and packing materials	23,002	18,195
Fuel in transit	46	5,389
Work in process	90,404	102,268
Finished goods	5,875	7,864
Total	119,327	133,716

12. TRADE RECEIVABLES

12.1 Trade receivables

	31 December	31 December
	2021	2020
Trade receivables	30,459	43,147
Less: provision for expected credit loss	(1,803)	(11,650)
	28,656	31,497
Less: area incentives	(435)	(1,141)
	28,221	30,356

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

12.2 Movement in the provision for expected credit loss is as follows:

	31 December	31 December
	2021	2020
Balance at the beginning	11,650	11,357
Charged during the year	232	715
Reversal Written-off during the year - Net	(10,079)	(422)
Balance at the end of the year	1,803	11,650

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in '000' Saudi Riyals)

13. PREPAYMENTS AND OTHER RECEIVABLES

	31 December	31 December
	2021	2020
Advances to suppliers	27,014	26,155
Prepaid expenses	10,217	8,655
Refundable custom duties – net	2,690	1,915
(*) Other receivables	2,806	10,055
Total	42,727	46,780

(*) Other receivables include spares under customs clearance amounting to SR 400 thousand (2020: SR 1,209 thousand)

14. CASH AND CASH EQUIVALENTS

	Note	31 December	31 December
		2021	2020
Cash on hand		197	258
Current account at banks	14.1	21,893	26,189
Short term Murabaha deposit	14.2	60,000	145,122
Total		82,090	171,569

14-1 Cash at bank includes unclaimed dividends of SR 1,118 thousand (2020: SR 1,107 thousand).

14-2 This represents deposits placed with banks for different periods and earn an average rate for return from 0.86% to 1.30%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in '000' Saudi Riyals)
15. PROVISION FOR EMPLOYEES' BENEFITS

The Company operates an unfunded employees' terminal benefit plan for its employees as required by the Saudi Arabian Labour Law. The movement in provision for end-of-service benefits for the year ended 31 December is as follows:

	Note	31 December	31 December
		2021	2020
Balance at beginning of the year		33,438	29,222
Current service cost		3,693	3,473
Interest cost		702	915
Amount recognised in profit or loss account		4,395	4,388
Re-measurement loss recognized in other comprehensive income	15.1	644	1,058
Benefits paid during the year		(1,628)	(1,230)
Balance at the end of the year		36,849	33,438

15.1 Re-measurements loss recognized in other comprehensive income for the year ended 31 December 2021 are as follow:

	31 December	31 December
	2021	2020
Impact of changes in financial assumptions	(232)	359
Impact of changes in demographic assumptions	(33)	-
Impact of experience adjustments	909	699
Total	644	1,058

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in '000' Saudi Riyals)

15.2 Significant actuarial assumptions:

Below are the significant actuarial assumptions:

		31 December	31 December
		2021	2020
Key actuarial assumptions			
Discount rate used		2,50%	2.05%
increase in salary for the next two years		2,50%	2.50%
Increase in salary for long term		2,30%	1.85%
Turnover		Moderate	Moderate
Demographic assumptions			
Retirement age		60	60

15.3 Sensitivity analysis:

Reasonably possible changes as to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	31 December 2021		31 December 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	35,364	38,449	32,018	34,973
Future salary growth (0.5% movement)	38,175	35,604	34,584	32,363

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in '000' Saudi Riyals)

16. LEASES

	31 December 2021	31 December 2020
Current portion of lease obligations	451	439
Non-current portion of lease obligations	5,597	6,047
Balance at end of year	6,048	6,486

The lease liabilities are secured by the related underlying assets.

The analysis by maturity of future lease payments at 31 December 2021 are as follows:

As at 31 December 2021	< 1 year	1-5 year	>5 years	Total
Lease payments	632	3,162	3,461	7,255
Less: Interest expense for future	181	769	257	1,207
Net present values	451	2,393	3,204	6,048

As at 31 December 2020	< 1 year	1-5 year	>5 years	Total
Lease payments	632	3,161	4,061	7,854
Less: Interest expense for future periods	193	760	415	1,368
Net present values	439	2,401	3,646	6,486

17. SHARE CAPITAL

The authorized share capital of the Company comprised 170 million ordinary shares stated at SR 10 per share. All shares are issued and fully paid. (31 December 2020: 170 million ordinary shares stated at SR 10 per share).

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(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**(Expressed in '000' Saudi Riyals)****18. LONG TERM BORROWING**

Long-term borrowing from commercial banks is presented as follows:

	31 December	31 December
	2021	2020
Principal amount, beginning balance	329,500	400,000
Draw-down during the year	-	355,000
Less: repayments / redemptions during the year	(51,000)	(425,500)
Net principal amount	278,500	329,500
Accrued mark up for the year	515	542
	279,015	330,042
Less: Transferred to current liabilities	(51,515)	(51,542)
Balance at the end of the year	227,500	278,500

18.1 Tawarruq

During 2020, the Company signed financing agreement (Tawarruq) for SR 355 million with Bank AlJazira to fully redeem the outstanding amount of the Sukuk that was due in June 2020. The Tawarruq facility is repayable in five years through ten semi-annual instalments and bears a mark-up of SAIBOR plus 1.40 %. The amount is secured by the Company's plant and equipment and a promissory note to the amount of actual drawdown. The amount of the facility was drawn in full.

Two multiple purpose facilities aggregating SR 85 million are also available but not utilized.

The carrying values of the short-term borrowings are denominated in Saudi riyals.

18.2 Loan covenants

The loans contain certain covenants. A future breach of covenants may lead to renegotiation. The covenants are monitored on a monthly basis by the management. In case of potential breach, actions are taken by the management to ensure compliance. During the year ended 31 December 2021, there has been no non-compliance of loan covenants.

All the above loans are Sharia compliant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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19. ZAKAT STATUS

The movement in zakat payable on the Group was as follows:

	31 December	31 December
	2021	2020
Balance at beginning of the year	8,721	19,241
Provided / (reversal) during the year	5,463	(4,130)
Paid during the year	(8,050)	(6,390)
Balance at the end of the year	6,134	8,721

Zakat returns for all the years up to December 31, 2020 have been filed by the group. Zakat assessments have been finalized with Zakat and Tax and Customs Authority (ZATCA) for the years 2006 to 2011 and 2014 to 2020.

20. ACCRUED AND OTHER PAYABLES

	31 December	31 December
	2021	2020
Raw material royalties payable	15,631	15,848
Other payables	21,132	11,361
Accrued expenses	7,898	4,346
Total	44,661	31,555

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in '000' Saudi Riyals)

21. REVENUE, NET

21.1 Disaggregated revenue information

	31 December 2021	31 December 2020
Product type		
Cement	581,553	623,197
Total revenue	581,553	623,197
Customer type		
Corporate customers	581,553	623,197
Total revenue	581,553	623,197
Geographical markets		
Local	548,275	577,673
Export	33,278	45,524
Total revenue	581,553	623,197

21.1 Performance obligations - point in time

The performance obligation is satisfied at a point in time and payment is generally due in advance or within 90 days from delivery

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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22. COST OF REVENUE

	Note	31 December	31 December
		2021	2020
Materials consumed		79,075	62,083
Salaries, wages and related benefits	22.1	71,193	57,446
Fuel and power		62,654	49,236
Repairs and maintenance		28,238	24,279
Operation and management expenses		17,340	16,428
Depreciation	8.1	71,416	72,988
Other manufacturing expenses		7,530	7,889
Provision for slow moving stock		-	1,500
		337,446	291,849
Opening work in progress and finished goods		111,060	192,490
Closing work in progress and finished goods		(97,272)	(111,060)
Cost of revenue		351,234	373,279

22.1 Salaries, wages and benefits include provision for employees' benefits amounting to SR 2.4 million (2020: SR 3.6 million).

22.2 The cost of revenues includes indirect cost which relates to the non-operating part of the Company's production line(s) during the year due to the slowdown in the market amounting to SR 23.3 million (2020: SR 24.5 million).

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 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in '000' Saudi Riyals)

23. SELLING AND DISTRIBUTION EXPENSES

	Note	31 December	31 December
		2021	2020
Salaries, wages and related benefits	23.1	6,801	6,872
Depreciation	8.1	1,727	2,140
Cement transportation		2,610	12
Impairment loss on trade receivables		232	715
Travel expenses		1,710	1,222
Export expenses		547	1,123
Others		704	984
Total		14,331	13,068

23.1 Salaries, wages and benefits include provision for employees' benefits amounting to SR 303 thousand (2020: SR 613 thousand).

24. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	31 December	31 December
		2021	2020
Salaries, wages and related benefits	24.1	21,663	19,747
Maintenance expenses		1,184	1,435
Board of directors remunerations	30	4,862	3,360
Legal and professional services		2,003	1,142
Depreciation and amortization	8.1 / 9	739	1,064
Regulatory fees		776	763
Travel expenses		313	255
Donations		587	1,622
Information technology		416	204
Bank charges		118	53
Others		2,385	1,930
Total		35,046	31,575

24.1 Salaries, wages and benefits include staff retirement benefits amounting to SR 934 thousand (2020: SR 918 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in '000' Saudi Riyals)

25. Other (expenses) income, net

	31 December 2021	31 December 2020
Reverse allowance - accounts receivable	5,960	-
Murabaha income	1,333	1,083
Other – net	858	211
Provision for fines and penalties	(10,000)	-
Total	(1,849)	1,294

26. CONTINGENCIES AND COMMITMENTS

The Group was contingently liable for letters of credit and bills for collections issued in the normal course of the business amounting to SR 400 thousand at 31 December 2021 (31 December 2020: SR 1,734 thousand).

27. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, Board of Directors, the Group's key management personnel and enterprises managed or significantly influenced by those parties. The following are the details of major-related parties' transactions during the year ended 31 December 2021:

	Transactions during the year		Advances from related parties	
	2021	2020	2021	2020
AMAK Company (Sales)	-	-	-	2
Yaal Alarabeya Company (Sales)	165	740	1	2
			1	4

Allowances and compensation of the Board of directors and senior executives

The Group's senior management includes key management personnel and executives, Board of Directors, having authorities and responsibilities for planning, directing and controlling the activities of the Group.

Board of Directors and committees' compensation charged and accrued during the year ended 31 December 2021 amounting to SR 882 thousand (31 December 2020: SR 315 thousand).

NAJRAN CEMENT COMPANY

(A Saudi Joint Stock Company)

 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2021****(Expressed in '000' Saudi Riyals)****Key management personnel compensation comprised the following:**

	31 December	31 December
	2021	2020
Short term employee benefits	10,247	9,209
Post-employment benefits	316	280
	10,563	9,489

28. DIVIDENDS

The Board of Directors of the Company, in its meeting held on 22 September 2021 (corresponding to 15 Safar 1443H), recommended a dividend of SR 127.5 million (SR 0.75 per share) that was paid on 17 October 2021 (corresponding to 11 Rabi ul Awwal 1443H).

The shareholders of the Company, in Annual General Assembly meeting held on 31 March 2021 (corresponding to 18 Shaaban 1442H), approved a final dividend of SR 127.5 million (SR 0.75 per share) that was paid on 13 April 2021 (corresponding to 1 Ramadan 1442H).

The Board of Directors of the Company, in its meeting held on 22 September 2020 (corresponding to 5 Safar 1442H), recommended a dividend of SR 127.5 million (SR 0.75 per share) that was paid on 15 October 2020 (corresponding to 28 Safar 1442H).

29. FINANCIAL INSTRUMENTS

The Group finances its operations through equity and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the Group is exposed to market risk (including profit rate risk, currency risk and other price risk), credit risk and liquidity risk. The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as investments, trade and other receivables. The Group has various financial liabilities such as long-term financing, trade and other accounts payable including accrued liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in '000' Saudi Riyals)

29. FINANCIAL INSTRUMENTS (CONTINUED)

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- a) Trade receivables
- b) Cash and cash equivalents
- c) Trade and other payables
- d) Long term financing

Financial instruments by category (amortized cost)

	December 31	
	2021	2020
Financial assets		
Trade receivables	28,221	30,356
Cash and cash equivalents	82,090	171,569
Total	110,311	201,925

	December 31	
	2021	2020
Financial liabilities		
Long term financing	279,015	330,042
Trade payables	44,744	45,025
Dividend payable	1,118	1,107
Accrued and other payables	36,763	27,209
Total	361,640	403,383

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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The Group is exposed through its operations to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk

Financial risk management and objectives and policies

Market risk

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

(a) Interest rate risk

Profit rate risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market profit rates. The Group mitigates its risk against exposure through focusing on maintaining bank balances. As of the statement of financial position date the Group is exposed to profit rate risk on its borrowings.

During 2021 and 2020, the Group's borrowings at variable rate were denominated in SR. The Group analyses the interest rate exposure on a quarterly basis. A sensitivity analysis is performed by applying a simulation technique to the liabilities that represent major interest-bearing positions. Various scenarios are run taking into consideration refinancing, renewal of the existing positions, alternative financing and hedging.

(b) Currency risk

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies. The Group does not believe it is materially exposed to currency risk as the majority of the Group's transactions and the balances are denominated in Saudi Riyals or in US Dollars. US dollar rate is fixed with the Saudi Riyal. Certain transactions are in other currencies, but these are not material.

(c) Other price risk

Other price risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices. The Group is not exposed to any other risks.

 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in '000' Saudi Riyals)

29. FINANCIAL INSTRUMENTS (Continued)**Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's credit risk is primarily attributable to its liquid funds and receivables. Cash balances are deposited with banks with good credit standings. Whilst a small number of customers account for a significant portion of both revenues and accounts receivable balances. These customers have provided appropriate guarantees ensuring that their debts will be recoverable. All major customers are high profile customers with the Kingdom of Saudi Arabia and there is no reason to suggest that there will be a loss of revenue from these sources.

The Group's maximum credit exposure are as follows:

	31 December	31 December
	2021	2020
Trade receivables	28,221	30,356
Prepayments and other receivables	42,727	46,780
Cash and cash equivalents	82,090	171,569
Total	153,038	248,705

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In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Age of trade receivables aging as of 31 December is as follows:

	31 December	31 December
	2021	2020
Not due yet	23,179	30,626
1-90 days	5,249	278
91-180 days	-	62
181-360 days	-	-
Over 360 days	2,031	12,181
Total	30,459	43,147

Age of impaired trade receivables as of 31 December is as follows:

	31 December	31 December
	2021	2020
More than 360 days	1,803	11,650

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in '000' Saudi Riyals)

29. FINANCIAL INSTRUMENTS (Continued)
29.1 Fair value measurements of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is considered a reasonable approximation of their fair value.

31 December 2021

Financial assets:	Carrying amount			Fair value			
	Fair value	Amortized cost	Total	Level 1	Level 2	Level 3	Level 4
Trade receivables	-	28,221	28,221	-	-	-	-
Cash and cash equivalents	-	82,090	82,090	-	-	-	-
	-	110,311	110,311	-	-	-	-

Financial liabilities:							
Long term financing	-	279,015	279,015	-	-	-	-
Trade payables	-	44,744	44,744	-	-	-	-
Accrued and other payables	-	36,763	36,763	-	-	-	-
	-	360,522	360,522	-	-	-	-

31 December 2020

Financial assets:	Carrying amount			Fair value			
	Fair value	Amortized cost	Total	Level 1	Level 2	Level 3	Level 4
Trade receivables	-	30,356	30,356	-	-	-	-
Cash and cash equivalents	-	171,569	171,569	-	-	-	-
	-	201,925	201,925	-	-	-	-

Financial liabilities:							
Long term financing	-	330,042	330,042	-	-	-	-
Trade payables	-	45,025	45,025	-	-	-	-
Accrued and other payables	-	27,209	27,209	-	-	-	-
	-	402,276	402,276	-	-	-	-

NAJRAN CEMENT COMPANY

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in '000' Saudi Riyals)

30. COMPARATIVE FIGURES AND PRIOR PERIOD RECLASSIFICATIONS

During the year, management identified certain adjustments required to prior years financial statements and restated them accordingly. The details are provided below:

Assets held for future use amounting to SR 35.9 million as at 31 December 2020 (2019: SR 35.6 million) previously classified as property, plant and equipment were reclassified to consumable spares parts under stores, spare parts and loose tools.

Directors' remuneration amounting to SR 3.4 million during the year 2020 previously classified under consolidated statements of changes in equity was reclassified to general and administrative expenses in the consolidated statement of profit or loss which result a decrease in profit to 200.9 million Saudi riyals without any impact on the total retained earnings.

31. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by the Company's Board of Directors on 27 February 2022 (corresponding to 26 Rajab 1443H)

Najran
CEMENT
NAJRAN CEMENT COMPANY



Agenda Items (2 & 3)

**Vote on the Auditor's report for the fiscal year ended
31 December 2021**

**Vote on the financial statements for the fiscal year
ended 31 December 2021**

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
31 DECEMBER 2021

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

To the Shareholders of
NAJRAN CEMENT COMPANY (A Saudi Joint Stock Company)
Najran - Saudi Arabia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Najran Cement Company - A Saudi Joint Stock Company - ("the Company" or "the Parent Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in "*the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unqualified opinion on those statements on 16 Rajab 1442(H), corresponding to 28 February 2021.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (Continued)

Revenue recognition	
Key audit matter	How the matter was addressed in our audit
The Group has recognized revenue from operations amounted to SR 581.5 million. The Group recognizes the revenue at a point in time when control over the goods is transferred to the customer, generally on delivery of the goods. Revenue is considered as a key audit matter as this requires the management to establish the fact that control over goods is transferred at the time of delivery in accordance with "IFRS 15 - Revenue from contracts with customers", and that the variety of terms that define when control is transferred to the customer as well as the high volume of the transactions give rise to the risk that revenue is not recognized in the correct period. The Group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the control has been transferred.	Our audit procedures to assess the recognition of revenue included the following: - Assessed Group's revenue recognition policy and its compliance in terms of IFRS 15; - Assessed the design and implementation of controls related to revenue recognition; - Performed tests on selected samples by tracing the individual sales transaction to sales invoices, sales orders and other related documents. Further in respect of the samples tested, we checked that the revenue has been recognized as per the shipping terms; - Selected sample of revenue transactions made pre- and post-year end and agreed the period of revenue recognition to third party support such as transporter invoice and customer confirmation of receipt of goods; - Assessed journal entries posted to revenue to identify the unusual items; and - Assessing the adequacy of the related disclosures.
Refer to note 6.18 for the accounting policy and note 21 for related disclosures.	

Key audit matters (Continued)

Existence and valuation of inventories	
Key audit matter	How the matter was addressed in our audit
The inventory of the Group includes raw materials and work in process amounted to SR 113.4 million. This mainly includes Clinker, Bauxite and Iron ore which are stored in stockpiles in yards. As the weighing of these inventories is not practically possible, management appoints an external surveyor to assess the reasonableness of the quantities on hand by obtaining measurements of the stockpiles and converting these measurements to unit of volumes by using angle of repose and bulk density. Existence and valuation of inventories is considered as a key audit matter because of the significance of inventory balances and related estimations involved in determining the quantities, existence and valuation of inventories.	Our audit procedures to assess the existence and valuation of inventory included the following: • Attended physical inventory counts performed by the Group and the external surveyor; • Evaluated the competence, capabilities and objectivity of the surveyor; • Obtained and reviewed the inventory count report of the external surveyor for major stock items on sample basis; • Assessed the reasonableness of management's measurements of stockpiles during the physical count and calculation of the conversion of stockpiles to the volumes; • Tested the valuation of year-end inventory including NRV on sample basis; and • Assessed the completeness and adequacy of disclosures relating to the inventories.
Refer to note 5 for significant accounting estimate and note 11 for related disclosure	

Other information

Other information consists of the information included in the Group's 2021 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2021 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA and Regulations for Companies and the Company's Bylaws / Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, in particular the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Dr. Mohamed Al-Amri & Co.



Maher Al-Khatieb
Certified Public Accountant
License Number 514



Jeddah on 7 March 2022 (G)
Corresponding to: 4 Shaban1443 (H)

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

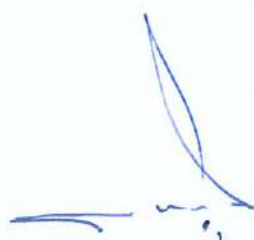
		31 December 2021	31 December 2020 (Note 30)
	Note	SR '000	SR '000
ASSETS			
Non-current assets			
Property, plant and equipment	8	1,963,093	1,983,741
Intangible assets	9	4,094	4,071
		<u>1,967,187</u>	<u>1,987,812</u>
Current assets			
Store, spare parts and loose tools	10	149,998	148,529
Stock in trade	11	119,327	133,716
Trade receivables	12	28,221	30,356
Prepayments and other receivables	13	42,727	46,780
Cash and cash equivalents	14	82,090	171,569
		<u>422,363</u>	<u>530,950</u>
TOTAL ASSETS		<u>2,389,550</u>	<u>2,518,762</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	17	1,700,000	1,700,000
Statutory reserve		145,396	128,841
Retained earnings		120,427	227,080
Total equity		<u>1,965,823</u>	<u>2,055,921</u>
Non-current liabilities			
Provision for employees' benefits	15	36,849	33,438
Non-current portion of lease liability	16	5,597	6,047
Long term borrowing	18	227,500	278,500
		<u>269,946</u>	<u>317,985</u>
Current liabilities			
Provision for zakat	19	6,134	8,721
Current portion of lease liability	16	451	439
Current portion of long-term borrowing	18	51,515	51,542
Contract liability - advances from customers		5,158	6,467
Trade payables		44,744	45,025
Dividend payable	27	1,118	1,107
Accrued and other payables	20	44,661	31,555
		<u>153,781</u>	<u>144,856</u>
Total liabilities		<u>423,727</u>	<u>462,841</u>
TOTAL EQUITY AND LIABILITIES		<u>2,389,550</u>	<u>2,518,762</u>



The accompanying notes from (1) to (31) form an integral part of these consolidated financial statements.

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Note</i>	2021 SR '000	2020 SR '000 (Note 30)
Revenue, net	21	581,553	623,197
Cost of revenue	22	(351,234)	(373,279)
Gross profit		230,319	249,918
Selling and distribution expense	23	(14,331)	(13,068)
General and administrative expense	24	(35,046)	(31,575)
Operating profit		180,942	205,275
Finance costs		(8,084)	(15,962)
Other (expenses) income, net	25	(1,849)	1,294
Profit before zakat		171,009	190,607
Zakat	19	(5,463)	10,333
Net profit for the year	30	165,546	200,940
Earnings per share			
Earnings per share attributable to the shareholders of the Company:			
Basic and diluted (SR)		0.97	1.18
Weighted average number of shares outstanding:			
Basic and diluted ('000 shares)		170,000	170,000





The accompanying notes from (1) to (31) form an integral part of the consolidated financial statements.

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	<u>Note</u>	<u>2021</u> <u>SR '000</u>	<u>2020</u> <u>SR '000</u> <u>(Note 30)</u>
Net profit for the year		<u>165,546</u>	<u>200,940</u>
Other comprehensive income ("OCI")			
<i>Items not to be reclassified to consolidated statement of profit or loss in subsequent periods:</i>			
Re-measurement loss on provision for employees' benefit	15.1	<u>(644)</u>	<u>(1,058)</u>
Other comprehensive income		<u>(644)</u>	<u>(1,058)</u>
Total comprehensive income for the year		<u><u>164,902</u></u>	<u><u>199,882</u></u>



The accompanying notes from (1) to (31) form an integral part of these consolidated financial statements.

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Note</i>	<i>Share capital SR '000</i>	<i>Statutory reserve SR '000</i>	<i>Retained earnings SR '000 (Note 29)</i>	<i>Total SR '000</i>
As at 1 January 2021		1,700,000	128,841	227,080	2,055,921
Net profit for the year		-	-	165,546	165,546
Other comprehensive loss		-	-	(644)	(644)
Total comprehensive income for the year		-	-	164,902	164,902
Transferred to statutory reserve		-	16,555	(16,555)	-
Dividends	28	-	-	(255,000)	(255,000)
Balance as at 31 December 2021		1,700,000	145,396	120,427	1,965,823
As at 1 January 2020		1,700,000	108,411	175,128	1,983,539
Net profit for the year	30	-	-	200,940	200,940
Other comprehensive loss		-	-	(1,058)	(1,058)
Total comprehensive income for the year		-	-	199,882	199,882
Transferred to statutory reserve		-	20,430	(20,430)	-
Dividends	28	-	-	(127,500)	(127,500)
Balance as at 31 December 2020	30	1,700,000	128,841	227,080	2,055,921





The accompanying notes from (1) to (31) form an integral part of these consolidated financial statements.

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 SR '000	2020 SR '000
OPERATING ACTIVITIES			
Profit for the year		171,009	190,607
<i>Adjustments for non-cash items:</i>			
Depreciation	8	73,856	76,143
Amortization		26	49
Loss on sale of property, plant and equipment		28	253
Provision for bad debts	11	232	715
Provision for slow moving inventory		-	1,500
Finance cost		8,084	15,962
Prior year settlement on Zakat provision		-	6,203
Provision for employees' benefits		4,395	4,388
<i>Operating cash flow before working capital changes</i>		<u>257,630</u>	<u>295,820</u>
<i>Changes in working capital:</i>			
Trade receivables		1,903	2,398
Store, spare parts and loose tools		(1,469)	(1,752)
Stock in trade		14,389	76,508
Prepayments and other receivables		4,053	(26,978)
Contract liability - advances from customers		(1,309)	2,235
Trade payables		(281)	18,980
Accrued and other payables		13,079	15,058
Cash generated from operating activities		<u>287,995</u>	<u>382,269</u>
Zakat paid	19	(8,050)	(6,390)
Finance costs paid		(7,890)	(15,962)
End of service benefits paid		(1,628)	(1,230)
Net cash generated from operating activities		<u>270,427</u>	<u>358,687</u>
INVESTING ACTIVITIES			
Additions to property, plant and equipment	8	(27,735)	(10,182)
Additions to intangible asset		(49)	(45)
Payment against project		(25,501)	(510)
Net cash used in investing activities		<u>(53,285)</u>	<u>(10,737)</u>
FINANCING ACTIVITIES			
Proceed from long term financing	18	-	355,000
Repayment of long-term financing	18	(51,000)	(425,500)
Payment of lease liability		(632)	(632)
Dividend paid		(254,989)	(127,401)
Net cash used in financing activities		<u>(306,621)</u>	<u>(198,533)</u>
Net change in cash and cash equivalents		<u>(89,479)</u>	<u>149,417</u>
Cash and cash equivalents at the beginning of the year		<u>171,569</u>	<u>22,152</u>
Cash and cash equivalents at the end of the year		<u>82,090</u>	<u>171,569</u>

The accompanying notes from (1) to (31) form an integral part of these consolidated financial statements.

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1 CORPORATE INFORMATION

Najran Cement Company ("the Company" or "the Parent Company"), a Saudi Joint Stock Company, registered at Najran on 5 Ramadan 1426 (corresponding to 9 October 2005) under Commercial Registration number 5950010479. On 10 Shaaban 1437 (corresponding to 17 May 2016), the Company was granted an Industrial License, number 2446. The Company's shares are listed in the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia.

The principal activities of the Company are manufacturing of ordinary portland cement and cement resistant to salts.

These consolidated financial statements comprise the Company and its wholly owned subsidiary, Wasl Al Janub Land Transportation Company (together referred to as the "Group").

The Subsidiary Company is registered as a limited liability Company at Najran was established on 23 Dhul- Hijjah 1441 (corresponding to 8 August 2020) under Commercial Registration number 5950119264. On 02 Shaaban 1442 (corresponding to 15 March 2021), the subsidiary company was granted transportation License, number 11/00007925.

The principal activity of the Subsidiary Company is land transport of goods.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared on a going concern basis under historical cost convention except for otherwise disclosed in Note 6.14 below.

The consolidated financial statements are presented in Saudi Riyals (SR) which is also the financial currency of the Group.

The Company's financial year starts on January 1 each Gregorian year and ends on December 31 of the same year.

3 STATEMENT OF COMPLIANCE

The consolidated financial statements for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

a. New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these are as follows:

<u>IFRS</u>	<u>Summary</u>	<u>Effective date</u>
Annual Improvements to IFRS: 2018-2020 Cycle	In May 2020, the IASB issued minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.	1 January 2022

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS
(Continued)

<u>IFRS</u>	<u>Summary</u>	<u>Effective date</u>
Reference to the Conceptual Framework Amendments to IFRS 3	In May 2020, the IASB issued amendments to IFRS 3.11, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments introduce an exception to the general recognition requirement for liabilities and contingent liabilities acquired in a business combination that is within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 12 Service Concession arrangements.	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales proceeds and any related costs in profit or loss.	1 January 2022
Onerous Contracts—Cost of Fulfilling a Contract Amendments to IAS 37	In May 2020, the IASB issued amendments to IAS 37.68A, which specify the costs a company includes when assessing whether a contract will be loss-making and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment.	1 January 2022
IFRS 4	Insurance Contracts—Amendments regarding the expiry date of the deferral approach.	1 January 2023
IFRS 9	Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2023
IFRS 17	IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes.	1 January 2023
Classification of Liabilities as Current or Non-current (Amendment to IAS 1)	The IASB, in its meetings held in June-July 2021, tentatively decided to amend IAS 1 with respect to classification of liabilities subject to conditions as disclosure of information about such conditions and to defer the effective date of the 2020 amendment by at least one year to 1 January 2024. The amendments require to defer settlement of the liability for at least twelve months after the reporting period to exist at the end of the reporting period and / or that right to defer settlement for at least twelve months after the reporting period is also subject to entity's compliance with specified conditions. The Amendment has provided clarification on the meaning of 'settlement' for the purpose of classification of a liability.	1 January 2024

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS (Continued)

b. New standards, interpretations and amendments effective in the current year

The following are the new standards, interpretations and amendments to standards that are effective in the current year which have not given rise to changes in the Group's accounting policies and have no impact on its consolidated financial statements:

<u>IFRS</u>	<u>Summary</u>	<u>Effective date</u>
Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9 and IAS 39	The major amendments provide relief from relief from specific hedge accounting requirements. Additionally, the standards were amended to require change from IBOR to alternative benchmark rate that is accounted for by updating the effective interest rate.	1 January 2021
Covid-19-Related Rent Concessions beyond 30 June 2021	In March 2021, IASB issued an amendment to IFRS 16 which extended the COVID-19 related rent concessions beyond 30 June 2021. This amendment is applicable from annual reporting period beginning on or after 1 April 2021. Earlier application permitted, including in financial statements not authorized for issue at 31 March 2021	1 April 2021

5 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

5.1 Critical judgements

Judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as below:

(A) Component parts of property, plant and equipment

The Group's assets, classified within property, plant and equipment, are depreciated on a reducing balance basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately. Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to mother asset, its pattern of consumption, and its replacement cycle/maintenance schedule.

5 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (Continued)

5.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of preparing the consolidated financial statements, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the subsequent financial periods, are described below. The Group based its assumptions and estimates on parameters available at the date of preparing the consolidated financial statements. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(A) Provision for employees' benefit

The Group's net obligation in respect of employees' benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The present value of the obligation is determined based on actuarial valuation at the statement of financial position date by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to an additional unit of employee benefit entitlement and measures. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan is based on the government bonds rate adjusted for an additional risk premium reflecting market yields on high quality Corporate bonds and with similar maturity.

(B) Provisions and contingencies

Management makes regular assessments of its possible obligation to determine likelihood and magnitude of outflow of resources.

(C) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated over its estimated useful life, which is based on estimates for expected usage of the asset and expected physical wear and tear. Management has not considered any residual value as it is deemed immaterial.

(D) Calculation of expected credit loss allowance

When determining the loss allowance on receivables, the Group estimates expected credit loss. The Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of loss arising on default. It is based on difference between the contractual cash flow due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

(E) Provision for material extraction

The Parent Company exploits raw material in accordance with Mineral Resources Saudi Law (appendix 3). The Group estimation and expectations relating to quantities of exploited raw material to pay fees against site exploitation is based on such estimates as per the appendix.

(F) Existence of inventories

Inventories comprise of purchased raw materials (Pozzolana, iron ore and bauxite), extracted materials (limestone and gypsum) and work in progress (mainly clinker) which are kept in stockpiles. Since weighing of these inventories is not practicable, management assesses the quantities on hand, at the year-end, by obtaining measurements of the stockpiles and converting these measurements, so obtained, to unit of volumes by applying related bulk densities taken through sampling. In doing so, management appoints an independent surveyor.

6 SIGNIFICANT ACCOUNTING POLICIES

6.1 Basis for consolidation

Control is achieved when the Group:

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the Consolidated Statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Consolidated Statement of profit or loss and each component of other comprehensive income are attributed to the shareholders of the Group. Total comprehensive income of subsidiaries is attributed to the shareholders of the Group.

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

Changes in the Group's ownership interests in existing subsidiary

Changes in the Group's ownership interests in subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Group.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.1 Basis for consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiary (Continued)

When the Group loses control of a subsidiary, a gain or loss is recognized in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

6.2 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

6.3 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.3 Fair Value Measurement (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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 – Methodologies 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.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis using level 1 or level 2 indicators, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Loans having fixed maturities are recorded at discounted values based on the effective interest rate method.

6.4 Property, plant and equipment

Property, plant and equipment, except land which is not depreciated, are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Expenditure on repairs and maintenance is expensed, while expenditure for improvement is capitalized. Depreciation is provided over the estimated useful life lives of the applicable assets using the declining balance method and appropriate residual values. Group reviews the appropriateness of the rate of depreciation / amortization, useful life and residual values used for recording the depreciation on annual basis.

The estimated annual rates of depreciation of the principal assets are as follows:

	<u>Percentage</u>
Land	Not depreciated
Buildings	2.5%
Plant, quarry, machinery and other equipment	4% - 15%
Vehicles	10 % - 25%
Furniture, fixtures and office equipment	10% - 12.5%
Computers	15%
Capital work in progress	Not depreciated

Capital work in progress includes all costs (including advance payments) which have not been reclassified as one of the asset classes noted above. Capital work in progress is re-classified as property, plant and equipment when the relevant performance tests have been satisfactorily completed. No depreciation is provided for in respect of capital work in progress.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.5 Impairment of property, plant and equipment

At each reporting date, the Group reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount, and the impairment loss is recognized as an expense immediately in statement of profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of profit or loss and other comprehensive income.

6.6 Intangible assets

All costs paid to acquire the intangible assets are capitalized. It is stated at cost less accumulated amortization. The intangible assets of the Group are amortized over an estimated useful life using the straight-line method.

Intangible assets include software and licenses. Computer software licenses are capitalized based on the cost incurred to acquire and bring into use the specific software. Amortisation is charged to the statement of profit or loss on a straight line basis over an estimated useful life from the date the software is available for use. Cost associated with maintaining software programs are recognized as expense when incurred while development cost is capitalized on meeting certain criteria.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their respective economic useful lives, using the straight-line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization methods, residual values and estimated economic useful lives are reviewed at least annually. The Group tests an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount with its carrying amount either annually or whenever there is an indication that the intangible asset may be impaired. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Amortisation periods for license are determined primarily by reference to the unexpired license period, the conditions for license renewal and whether licenses are dependent on specific technologies. Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives from the commencement of related services.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.7 Inventories including capital spares

Inventories are measured at the lower of cost or net realizable value. Cost is measured using weighted average method. Spare parts and other consumables are charged to expenses on purchase. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

The Group regularly reviews the net realizable value of inventories to assess any diminution in the carrying values. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

6.8 Trade receivable

Trade receivables are carried at the transaction price related to a performance obligation less an allowance for doubtful debts. The Group assesses the allowance for doubtful debts using an expected credit losses (ECL) approach over the lifetime of the assets. The Group uses a provision matrix to measure the ECLs of trade receivables from customers while the government and quasi government customers are secured and are not included in ECLs.

Loss rates are calculated using a 'recovery rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off connected with the aging schedule of the outstanding receivables. Loss rates are based on actual credit loss experience over the past two years. For provisions against specific receivables, a customer-by-customer analysis of receivables is carried out at the end of each reporting period. Provisions are reversed only when the outstanding amounts are recovered from the customers and Group recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with this Standard. When a trade receivable is uncollectible, it is written off against the allowance for doubtful debts in the statement of profit or loss, based on the criteria defined in the Group's policy.

Where advances from customers have been received but goods are not delivered at the reporting period, it is classified as advances from customers and included in current liability.

Where the Group is entitled to any third-party claim, the corresponding amount such as clinker subsidies or custom duties refundable, the agreed amount is included in other receivables and other income, net of any provisions.

6.9 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash in hand and, balances with banks on current, deposit and saving accounts, and short-term highly liquid investments subject to insignificant risk of changes in values, which fall due in no more than three months and no restriction exists on their monetization on account of the Group.

6.10 Offsetting

A financial asset and financial liability is off-set and the net amount is reported in the balance sheet when a legally enforceable right to set-off the transactions is available and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.11 Zakat

Zakat provision is provided for in accordance with Zakat, Tax and Custom Authority (ZATCA) regulations. Submission and disclosure of provisions in the financial statements shall be according to the Zakat and tax rules. The Group withholds taxes on certain transactions with non-resident parties as required under the Saudi Arabian Tax Laws. Withholding tax related to foreign payments on services are recorded as current liabilities.

6.12 Trade and accounts payables

Accounts payable are measured at their fair value, net of trade discounts. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

6.13 Provisions and other liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

6.14 Provision for employees' benefits

Provision for employees' terminal benefits is calculated based on Group's internal policy. The Group's net obligation in respect of defined benefit plans is calculated for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods.

Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income, in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

The Group recognises the following changes in the defined benefits obligation under 'operating cost' and 'general and administrative expenses' in the profit and loss account:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Interest expense.

The calculation of defined benefits obligation is performed annually by a qualified actuary using the projected unit credit method.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.15 IFRS 16 Leases

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The assets and liabilities from the lease are initially recognized and measured at the present value. Each lease payment is distributed between liabilities and financing cost. The cost of financing is charged to profit or loss over the lease term. The asset's right to use is amortized over the useful life of the asset or the term of the lease, whichever is shorter, on a straight-line basis.

- Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.
- Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

6.16 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Group has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the issued share capital.

6.17 Contingent assets and liabilities

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.18 Revenue recognition

Revenue is measured under IFRS 15 at the fair value of the consideration received or receivable when a customer obtains control of goods at a point in time i.e on delivery and acknowledgement of goods. Revenue is recognized on the completion of performance obligation where the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns and trade discounts.

No element of financing component is deemed present as the sales are made either on cash or on credit term consistent with market practice.

6.19 Foreign currency translations

These consolidated financial statements are presented in Saudi Arabian Riyals (SR), which is the Group's functional currency. Transactions in foreign currencies are recorded using the exchange rates prevailing at the time of transaction. Foreign exchange gains or losses resulting from settlement of the transaction and translation at the period end are recorded according to exchange rates prevailing on that date and are recognized in the profit or loss account.

6.20 Cost of revenue

The cost of revenue is calculated on the basis of the cost of production of sold units charged with all actual direct costs, which shall include the cost of materials, production supplies, cost of labour, and amortizations of direct fixed assets, in addition to their share of indirect expenses.

6.21 Expenses

Selling and distribution expenses comprise costs incurred in the distribution and sale of the Group's products, including employee costs and transportation costs (including area discounts). All other operating expenses are classified as general and administrative expenses.

6.22 Earnings per share

Earnings per share are calculated by dividing the net profit (loss) for the year by the weighted average number of shares outstanding at year end.

6.23 Dividends and appropriations

Dividend and appropriation to reserves are recognized in the consolidated financial statements in the period in which approved by the Group's Board of directors.

6.24 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.25 Settlement date accounting

All regular way purchases and sales of financial assets are recognized and derecognized on the settlement date, i.e. the date on which the asset is delivered to the counterparty. When settlement date accounting is applied, the Group accounts for any change in fair value between the trade date and the settlement date in the same way as it accounts for the acquired asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

6.26 Financial instruments

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

(i) Fair value through profit or loss

This category comprises in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value (see "Financial liabilities" section for out-of-the-money derivatives classified as liabilities). They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive income in the finance income or expense line. As at the date of the statement of financial position, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

(ii) Amortised cost

These assets arise principally from the provision of goods and services to customers (eg trade receivables from related parties and third parties), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

The Group's financial assets measured at amortized cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

(iii) Fair value through other comprehensive income

These represents investments in listed and unlisted entities. As at the date of the consolidated statement of financial position the Group does not have any financial instruments designated as fair value through other comprehensive income.

Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Other than financial liabilities in a qualifying hedging relationship (see below), the Group's accounting policy for each category is as follows:

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.26 Financial instruments (Continued)

Fair value through profit or loss

This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value (see "Financial assets" for in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value). They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. As at the date of statement of financial position, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities include the following items:

- Bank and related party borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

7 SEGMENTAL REPORTING

The Group is engaged in one operating segment, i.e., manufacturing cement and operates in the Kingdom of Saudi Arabia and certain foreign jurisdictions. Further, significant amount of liabilities of the Group are payable in Saudi Arabia. The financial information of the Subsidiary is not significant to Group's consolidated financial statements for segmental information.

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8 PROPERTY, PLANT AND EQUIPMENT

	<i>Land</i>	<i>Right of use asset</i>	<i>Buildings</i>	<i>Plant, quarry, machinery and other equipment</i>	<i>Vehicles</i>	<i>Furniture and fixtures, and office equipment</i>	<i>Computers</i>	<i>Capital work in progress</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Cost:									
1 January 2021	2,563	7,302	1,163,204	1,873,889	39,764	13,496	4,665	311	3,105,194
Additions	-	-	187	23,519	3,662	190	177	25,501	53,236
Disposal	-	-	-	-	(412)	-	(49)	-	(461)
Transfer	-	-	-	25,591	-	-	-	(25,591)	-
31 December 2021	2,563	7,302	1,163,391	1,922,999	43,014	13,686	4,793	221	3,157,969
Accumulated depreciation:									
1 January 2021	-	(1,014)	(351,845)	(735,368)	(20,667)	(9,422)	(3,137)	-	(1,121,453)
Additions	-	(516)	(20,192)	(49,815)	(2,671)	(432)	(230)	-	(73,856)
Disposal	-	-	-	-	399	-	34	-	433
31 December 2021	-	(1,530)	(372,037)	(785,183)	(22,939)	(9,854)	(3,333)	-	(1,194,876)
Net book value:									
At 31 December 2021	2,563	5,772	791,354	1,137,816	20,075	3,832	1,460	221	1,963,093

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8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<i>Land</i> <i>SR'000</i>	<i>Right of</i> <i>use asset</i> <i>SR'000</i>	<i>Buildings</i> <i>SR'000</i>	<i>Plant,</i> <i>quarry,</i> <i>machinery</i> <i>and other</i> <i>equipment</i> <i>SR'000</i>	<i>Vehicles</i> <i>SR'000</i>	<i>Furniture and</i> <i>fixtures, and</i> <i>office</i> <i>equipment</i> <i>SR'000</i>	<i>Computers</i> <i>SR'000</i>	<i>Capital</i> <i>work in</i> <i>progress</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
Cost:									
1 January 2020	2,563	7,302	1,163,204	1,863,683	39,330	13,169	4,462	1,630	3,095,343
Additions	-	-	-	8,377	1,275	327	203	510	10,692
Disposal	-	-	-	-	(841)	-	-	-	(841)
Transfer	-	-	-	1,829	-	-	-	(1,829)	-
31 December 2020	<u>2,563</u>	<u>7,302</u>	<u>1,163,204</u>	<u>1,873,889</u>	<u>39,764</u>	<u>13,496</u>	<u>4,665</u>	<u>311</u>	<u>3,105,194</u>
Accumulated depreciation:									
1 January 2020	-	(512)	(330,983)	(684,323)	(18,238)	(8,966)	(2,876)	-	(1,045,898)
Additions	-	(502)	(20,862)	(51,045)	(3,017)	(456)	(261)	-	(76,143)
Disposal	-	-	-	-	588	-	-	-	588
31 December 2020	<u>-</u>	<u>(1,014)</u>	<u>(351,845)</u>	<u>(735,368)</u>	<u>(20,667)</u>	<u>(9,422)</u>	<u>(3,137)</u>	<u>-</u>	<u>(1,121,453)</u>
Net book value:									
At 31 December 2020	<u>2,563</u>	<u>6,288</u>	<u>811,359</u>	<u>1,138,521</u>	<u>19,097</u>	<u>4,074</u>	<u>1,528</u>	<u>311</u>	<u>1,983,741</u>

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8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

8.1 The allocation of depreciation expense between operating cost of revenue, selling and distribution expenses and general and administrative expenses is as follows:

	31 December 2021 SR'000	31 December 2020 SR'000
Cost of revenue	71,416	72,988
Selling and distribution expenses	1,727	2,140
General and administrative expenses	713	1,015
Total	73,856	76,143

9 INTANGIBLE ASSETS

	31 December 2021 SR'000	31 December 2020 SR'000
Cost:		
At 1 January	8,766	8,721
Additions	49	45
Balance at 31 December	8,815	8,766
Amortization:		
At 1 January	4,695	4,646
Amortization during the year (*)	26	49
Balance at 31 December	4,721	4,695
Net Book Value:		
31 December	4,094	4,071

(*) Amortization expenses is included in general and administration expenses.

10 STORES, SPARE PARTS AND LOOSE TOOLS

	31 December 2021 SR'000	31 December 2020 SR'000
Consumables spare parts - not for sale	155,321	153,852
Less: provision for obsolescence	(5,323)	(5,323)
Total	149,998	148,529

* During the year the management reclassified a spare parts amounted 35.9 million for the years 2020 and 2019 from property, plant and equipment to stores, spare parts and loose tools (Note 30)

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11 STOCK IN TRADE

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Raw materials, fuel and packing materials	23,002	18,195
Fuel in transit	46	5,389
Work in process	90,404	102,268
Finished goods	5,875	7,864
Total	119,327	133,716

12 TRADE RECEIVABLES

12.1 Trade receivables

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Trade receivables	30,459	43,147
Less: provision for expected credit loss	(1,803)	(11,650)
	28,656	31,497
Less: area incentives	(435)	(1,141)
	28,221	30,356

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

12.2 Movement in the provision for expected credit loss is as follows:

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Balance at the beginning	11,650	11,357
Charged during the year	232	715
Reversal Written-off during the year - Net	(10,079)	(422)
Balance at the end of the year	1,803	11,650

13 PREPAYMENTS AND OTHER RECEIVABLES

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Advances to suppliers	27,014	26,155
Prepaid expenses	10,217	8,655
Refundable custom duties - net	2,690	1,915
Other receivables (*)	2,806	10,055
Total	42,727	46,780

(*) Other receivables include spares under customs clearance amounting to SR 400 thousand (2020: SR 1,209 thousand)

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14 CASH AND CASH EQUIVALENTS

		31 December 2021 SR'000	31 December 2020 SR'000
	Note		
Cash on hand		197	258
Current account at banks	14.1	21,893	26,189
Short term Murabaha deposit	14.2	60,000	145,122
Total		82,090	171,569

14.1 Cash at bank includes unclaimed dividends of SR 1,118 thousand (2020: SR 1,107 thousand).

14.2 This represents deposits placed with banks for different periods and earn an average rate for return from 0.86% to 1.30%.

15 PROVISION FOR EMPLOYEES' BENEFITS

The Company operates an unfunded employees' terminal benefit plan for its employees as required by the Saudi Arabian Labour Law. The movement in provision for end-of-service benefits for the year ended 31 December is as follows:

		31 December 2021 SR'000	31 December 2020 SR'000
	Note		
Balance at beginning of the year		33,438	29,222
Current service cost		3,693	3,473
Interest cost		702	915
Amount recognised in profit or loss account		4,395	4,388
Re-measurement loss recognized in other comprehensive income	15.1	644	1,058
Benefits paid during the year		(1,628)	(1,230)
Balance at the end of the year		36,849	33,438

15.1 Re-measurements loss recognized in other comprehensive income for the year ended 31 December 2021 are as follow:

	31 December 2021 SR'000	31 December 2020 SR'000
Impact of changes in financial assumptions	(232)	359
Impact of changes in demographic assumptions	(33)	-
Impact of experience adjustments	909	699
Total	644	1,058

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15. PROVISION FOR EMPLOYEES' BENEFITS (Continued)

15.2 Significant actuarial assumptions:

Below are the significant actuarial assumptions:

	31 December 2021	31 December 2020
Key actuarial assumptions		
Discount rate used	2.50%	2.05%
increase in salary for the next two years	2.50%	2.50%
Increase in salary for long term	2.30%	1.85%
Turnover	Moderate	Moderate
Demographic assumptions		
Retirement age	60	60

15.3 Sensitivity analysis:

Reasonably possible changes as to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	31 December 2021 (SR'000)	31 December 2020 (SR'000)	31 December 2021 (SR'000)	31 December 2020 (SR'000)
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	35,364	38,449	32,018	34,973
Future salary growth (0.5% movement)	38,175	35,604	34,584	32,363

16 LEASES

	31 December 2021 (SR'000)	31 December 2020 (SR'000)
Current portion of lease obligations	451	439
Non-current portion of lease obligations	5,597	6,047
Balance at end of year	6,048	6,486

The lease liabilities are secured by the related underlying assets.

The analysis by maturity of future lease payments at 31 December 2021 are as follows:

As at 31 December 2021	< 1 year SR'000	1-5 year SR'000	>5 years SR'000	Total SR'000
Lease payments	632	3,162	3,461	7,255
Less: Interest expense for future periods	181	769	257	1,207
Net present values	451	2,393	3,204	6,048
 As at 31 December 2020	 < 1 year SR'000	 1-5 year SR'000	 >5 years SR'000	 Total SR'000
Lease payments	632	3,161	4,061	7,854
Less: Interest expense for future periods	193	760	415	1,368
Net present values	439	2,401	3,646	6,486

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17 SHARE CAPITAL

The authorized share capital of the Company comprised 170 million ordinary shares stated at SR 10 per share. All shares are issued and fully paid. (31 December 2020: 170 million ordinary shares stated at SR 10 per share).

18 LONG TERM BORROWING

Long-term borrowing from commercial banks is presented as follows:

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Principal amount, beginning balance	329,500	400,000
Draw-down during the year	-	355,000
Less: repayments / redemptions during the year	(51,000)	(425,500)
Net principal amount	278,500	329,500
Accrued mark up for the year	515	542
	279,015	330,042
Less: Transferred to current liabilities	(51,515)	(51,542)
Balance at the end of the year	227,500	278,500

18.1 Tawarruq

During 2020, the Company signed financing agreement (Tawarruq) for SR 355 million with Bank AlJazira to fully redeem the outstanding amount of the Sukuk that was due in June 2020. The Tawarruq facility is repayable in five years through ten semi-annual instalments and bears a mark-up of SAIBOR plus 1.40 %. The amount is secured by the Company's plant and equipment and a promissory note to the amount of actual drawdown. The amount of the facility was drawn in full.

Two multiple purpose facilities aggregating SR 85 million are also available but not utilized.

The carrying values of the short-term borrowings are denominated in Saudi riyals.

18.2 Loan covenants

The loans contain certain covenants. A future breach of covenants may lead to renegotiation. The covenants are monitored on a monthly basis by the management. In case of potential breach, actions are taken by the management to ensure compliance. During the year ended 31 December 2021, there has been no non-compliance of loan covenants.

All the above loans are Sharia compliant.

19 ZAKAT STATUS

The movement in zakat payable on the Group was as follows:

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Balance at beginning of the year	8,721	19,241
Provided / (reversal) during the year	5,463	(4,130)
Paid during the year	(8,050)	(6,390)
Balance at the end of the year	6,134	8,721

Zakat returns for all the years up to December 31, 2020 have been filed by the group. Zakat assessments have been finalized with Zakat and Tax and Customs Authority (ZATCA) for the years 2006 to 2011 and 2014 to 2020.

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20 ACCRUED AND OTHER PAYABLES

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Raw material royalties payable	15,631	15,848
Other payables	21,132	11,361
Accrued expenses	7,898	4,346
	<u>44,661</u>	<u>31,555</u>

21 REVENUE, NET

21.1 Disaggregated revenue information

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Product type		
Cement	581,553	623,197
Total revenue	<u>581,553</u>	<u>623,197</u>
Customer type		
Corporate customers	581,553	623,197
Total revenue	<u>581,553</u>	<u>623,197</u>
Geographical markets		
Local	548,275	577,673
Export	33,278	45,524
Total revenue	<u>581,553</u>	<u>623,197</u>

21.2 Performance obligations - point in time

The performance obligation is satisfied at a point in time and payment is generally due in advance or within 90 days from delivery

22 COST OF REVENUE

		<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
	Note		
Materials consumed		79,075	62,083
Salaries, wages and related benefits	22.1	71,193	57,446
Fuel and power		62,654	49,236
Repairs and maintenance		28,238	24,279
Operation and management expenses		17,340	16,428
Depreciation	8.1	71,416	72,988
Other manufacturing expenses		7,530	7,889
Provision for slow moving stock		-	1,500
		<u>337,446</u>	<u>291,849</u>
Opening work in progress and finished goods		111,060	192,490
Closing work in progress and finished goods		<u>(97,272)</u>	<u>(111,060)</u>
Cost of revenue		<u>351,234</u>	<u>373,279</u>

22.1 Salaries, wages and benefits include provision for employees' benefits amounting to SR 2.4 million (2020: SR 3.6 million).

22.2 The cost of revenues includes indirect cost which relates to the non-operating part of the Company's production line(s) during the year due to the slowdown in the market amounting to SR 23.3 million (2020: SR 24.5 million).

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23 SELLING AND DISTRIBUTION EXPENSES

		31 December 2021	31 December 2020
	Note	SR'000	SR'000
Salaries, wages and related benefits	23.1	6,801	6,872
Depreciation	8.1	1,727	2,140
Cement transportation		2,610	12
Impairment loss on trade receivables		232	715
Travel expenses		1,710	1,222
Export expenses		547	1,123
Others		704	984
		14,331	13,068

23.1 Salaries, wages and benefits include provision for employees' benefits amounting to SR 303 thousand (2020: SR 613 thousand).

24 GENERAL AND ADMINISTRATIVE EXPENSES

		31 December 2021	31 December 2020
	Note	SR'000	SR'000
Salaries, wages and related benefits	24.1	21,663	19,747
Maintenance expenses		1,184	1,435
Board of directors remuneration	30	4,862	3,360
Legal and professional services		2,003	1,142
Depreciation and amortization	8.1 / 9	739	1,064
Regulatory fees		776	763
Travel expenses		313	255
Donations		587	1,622
Information technology		416	204
Bank charges		118	53
Others		2,385	1,930
		35,046	31,575

24.1 Salaries, wages and benefits include staff retirement benefits amounting to SR 934 thousand (2020: SR 918 thousand).

25 Other (expenses) income, net

	31 December 2021	31 December 2020
	SR'000	SR'000
Reverse allowance - accounts receivable	5,960	-
Murabaha income	1,333	1,083
Other - net	858	211
Provision for fines and penalties	(10,000)	-
	(1,849)	1,294

26 CONTINGENCIES AND COMMITMENTS

The Group was contingently liable for letters of credit and bills for collections issued in the normal course of the business amounting to SR 400 thousand at 31 December 2021 (31 December 2020: SR 1,734 thousand).

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27 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, Board of Directors, the Group's key management personnel and enterprises managed or significantly influenced by those parties. The following are the details of major-related parties' transactions during the year ended 31 December 2021:

	<i>Transactions during the year</i>		<i>Advances from related parties</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
AMAK Company (Sales)	-	-	-	2
Yaal Alarabeya Company (Sales)	165	740	1	2
			<u>1</u>	<u>4</u>

Allowances and compensation of the Board of directors and senior executives

The Group's senior management includes key management personnel and executives, Board of Directors, having authorities and responsibilities for planning, directing and controlling the activities of the Group.

Board of Directors and committees' compensation charged and accrued during the year ended 31 December 2021 amounting to SR 882 thousand (31 December 2020: SR 315 thousand).

Key management personnel compensation comprised the following:

	<i>31 December 2021</i>	<i>31 December 2020</i>
	<i>SR'000</i>	<i>SR'000</i>
Short term employee benefits	10,247	9,209
Post-employment benefits	316	280
	<u>10,563</u>	<u>9,489</u>

28 DIVIDENDS

The Board of Directors of the Company, in its meeting held on 22 September 2021 (corresponding to 15 Safar 1443H), recommended a dividend of SR 127.5 million (SR 0.75 per share) that was paid on 17 October 2021 (corresponding to 11 Rabi ul Awwal 1443H).

The shareholders of the Company, in Annual General Assembly meeting held on 31 March 2021 (corresponding to 18 Shaaban 1442H), approved a final dividend of SR 127.5 million (SR 0.75 per share) that was paid on 13 April 2021 (corresponding to 1 Ramadan 1442H).

The Board of Directors of the Company, in its meeting held on 22 September 2020 (corresponding to 5 Safar 1442H), recommended a dividend of SR 127.5 million (SR 0.75 per share) that was paid on 15 October 2020 (corresponding to 28 Safar 1442H).

29 FINANCIAL INSTRUMENTS

The Group finances its operations through equity and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the Group is exposed to market risk (including profit rate risk, currency risk and other price risk), credit risk and liquidity risk. The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as investments, trade and other receivables. The Group has various financial liabilities such as long-term financing, trade and other accounts payable including accrued liabilities.

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29 FINANCIAL INSTRUMENTS (Continued)

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- a) Trade receivables
- b) Cash and cash equivalents
- c) Trade and other payables
- d) Long term financing

Financial instruments by category (amortized cost)

	<i>31 December 2021 (SR'000)</i>	<i>31 December 2020 (SR'000)</i>
Financial assets		
Trade receivables	28,221	30,356
Cash and cash equivalents	82,090	171,569
Total	110,311	201,925
	<i>31 December 2021 (SR'000)</i>	<i>31 December 2020 (SR'000)</i>
Financial liabilities		
Long term financing	279,015	330,042
Trade payables	44,744	45,025
Dividend payable	1,118	1,107
Accrued and other payables	36,763	27,209
Total	361,640	403,383

The Group is exposed through its operations to the following financial risks:

- Market risk
- Credit risk; and
- Liquidity risk

Financial risk management and objectives and policies

Market risk

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

(a) Interest rate risk

Profit rate risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market profit rates. The Group mitigates its risk against exposure through focusing on maintaining bank balances. As of the statement of financial position date the Group is exposed to profit rate risk on its borrowings.

During 2021 and 2020, the Group's borrowings at variable rate were denominated in SR. The Group analyses the interest rate exposure on a quarterly basis. A sensitivity analysis is performed by applying a simulation technique to the liabilities that represent major interest-bearing positions. Various scenarios are run taking into consideration refinancing, renewal of the existing positions, alternative financing and hedging.

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29. FINANCIAL INSTRUMENTS (Continued)

Financial risk management and objectives and policies (Continued)

Market risk (Continued)

(b) Currency risk

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies. The Group does not believe it is materially exposed to currency risk as the majority of the Group's transactions and the balances are denominated in Saudi Riyals or in US Dollars. US dollar rate is fixed with the Saudi Riyal. Certain transactions are in other currencies, but these are not material.

(c) Other price risk

Other price risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices. The Group is not exposed to any other risks.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's credit risk is primarily attributable to its liquid funds and receivables. Cash balances are deposited with banks with good credit standings. Whilst a small number of customers account for a significant portion of both revenues and accounts receivable balances. These customers have provided appropriate guarantees ensuring that their debts will be recoverable. All major customers are high profile customers with the Kingdom of Saudi Arabia and there is no reason to suggest that there will be a loss of revenue from these sources.

The Group's maximum credit exposure are as follows:

	<i>31 December 2021 (SR'000)</i>	<i>31 December 2020 (SR'000)</i>
Trade receivables	28,221	30,356
Prepayments and other receivables	42,727	46,780
Cash and cash equivalents	82,090	171,569
Total	<u>153,038</u>	<u>248,705</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Age of trade receivables aging as of 31 December is as follows:

	<i>31 December 2021 (SR'000)</i>	<i>31 December 2020 (SR'000)</i>
Not due yet	23,179	30,626
1-90 days	5,249	278
91-180 days	-	62
181-360 days	-	-
Over 360 days	2,031	12,181
Total	<u>30,459</u>	<u>43,147</u>

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29. FINANCIAL INSTRUMENTS (Continued)

Financial risk management and objectives and policies (Continued)

Credit risk (continued)

Age of impaired trade receivables as of 31 December is as follows:

	31 December 2021 (SR'000)	31 December 2020 (SR'000)
More than 360 days	<u><u>1,803</u></u>	<u><u>11,650</u></u>

29.1 Fair value measurements of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is considered a reasonable approximation of their fair value.

31 December 2021

	Carrying amount			Fair value		
	Fair value	Amortized cost	Total	Level 1	Level 2	Level 3
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Financial assets:						
Trade receivables	-	28,221	28,221	-	-	-
Cash and cash equivalents	-	82,090	82,090	-	-	-
	-	<u>110,311</u>	<u>110,311</u>	-	-	-
Financial liabilities:						
Long term financing	-	279,015	279,015	-	-	-
Trade payables	-	44,744	44,744	-	-	-
Accrued and other payables	-	36,763	36,763	-	-	-
	-	<u>360,522</u>	<u>360,522</u>	-	-	-

31 December 2020

	Carrying amount			Fair value		
	Fair value	Amortized cost	Total	Level 1	Level 2	Level 3
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Financial assets:						
Trade receivables	-	30,356	30,356	-	-	-
Cash and cash equivalents	-	171,569	171,569	-	-	-
	-	<u>201,925</u>	<u>201,925</u>	-	-	-
Financial liabilities:						
Long term financing	-	330,042	330,042	-	-	-
Trade payables	-	45,025	45,025	-	-	-
Accrued and other payables	-	27,209	27,209	-	-	-
	-	<u>402,276</u>	<u>402,276</u>	-	-	-

30 COMPARATIVE FIGURES AND PRIOR PERIOD RECLASSIFICATIONS

During the year, management identified certain adjustments required to prior years financial statements and restated them accordingly. The details are provided below:

- Assets held for future use amounting to SR 35.9 million as at 31 December 2020 (2019: SR 35.6 million) previously classified as property, plant and equipment were reclassified to consumable spares parts under stores, spare parts and loose tools.
- Directors' remuneration amounting to SR 3.4 million during the year 2020 previously classified under consolidated statements of changes in equity was reclassified to general and administrative expenses in the consolidated statement of profit or loss which result a decrease in profit to 200.9 million Saudi riyals without any impact on the total retained earnings.

31 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by the Company's Board of Directors on 27 February 2022 (corresponding to 26 Rajab 1443H)

Agenda Item (6)

**Vote on the Board of Directors 'recommendation to
distribute cash dividends for the second half of 2021**

Vote on the Board of Directors' recommendation to distribute cash dividends for the second half of 2021 at the rate of 0.25 riyal per share, which represents 2.5% of the par value of the share with a total amount of 42.5 million riyals, provided the eligibility for dividend will be to Shareholders who own the shares on the day of Company's general assembly and registered in the Company's shareholders register at Securities Depository Center by the end of the second trading day following the day of general assembly, thus the total dividends distributed and proposed to be distributed for the year 2021 is 1 riyals per share representing 10% of the nominal value of the share with a total amount of 170 million riyals. Date of distribution will be announced later.

Details	Dividend distributed during the year	Dividend proposed to be distributed at the end of year	Total Dividend
Distribution date	17-10-2021	To be announced later	
Percentage of dividend	7.5%	2.5%	10%
Total Dividend	SR 127.5 million	SR 42.5 million	SR 170 million

Agenda Items (8–9–10)

8. Vote on the business and contracts that will be concluded between the Company and AMAK Mining Company in which the Chairman of the Board of Directors, Eng. Mohammed Aballala and members of the Board of Directors, Engr. Ayman Shibl and the Managing Director, Mr. Abdulsalam Aldraibi, have direct interest in it for sale of 1,500 tons bulk cement worth SAR 300,000 as per customer's need with same conditions and prices that Company follows with its other customers.

9. Vote on the business and contracts that will be concluded between the Company and Yaal Arabya Company for Industry, Commerce and Contracting Ltd, in which the member of the Board of Directors Mr. Ali Hussein Bin Berman Al-Yami has direct interest for sale of 30,000 tons bulk cement worth SAR 5,800,000 as per customer need with same conditions and prices that Company follows with its other customers.

10. Vote on the business and contracts concluded between the Company and Yaal Arabya Company for Industry, Commerce and Contracting Ltd. in which a member of the Board of Directors, Mr. Ali Hussein Bin Berman Al-Yami has direct interest for sale of bulk cement where the value of business during 2021 amounted to 164,663 Riyals according to the prevailing commercial conditions.

المحترمين

إلى السادة المساهمين في شركة أسمنت نجران

السلام عليكم ورحمة الله وبركاته

بناءً على متطلبات المادة الحادية والسبعون من نظام الشركات والتي تطلب أن يبلغ رئيس مجلس الإدارة الجمعية العامة العادية عند انعقادها عن الأعمال والعقود والتي يكون لأحد أعضاء المجلس مصلحة مباشرة أو غير مباشرة فيها.

عليه يود مجلس الإدارة إبلاغ جمعيتكم الموقرة بأن أعضاء مجلس الإدارة الذين لديهم مصلحة مباشرة أو غير مباشرة في الأعمال والعقود والتي تتم لحساب الشركة هم على النحو التالي:

1	عضو مجلس الإدارة الأستاذ/ علي بن حسين بن برمان اليامي	• يعتبر عضو مجلس إدارة وأحد شركاء يال العربية للصناعة والتجارة والمقاولات ويملك حصة في الشركة تمثل مانسبته 50% وهو المدير المخول بكامل الصلاحيات في السجل التجاري. • تفاصيل الأعمال التي ستتم بين شركة أسمنت نجران وشركة يال العربية للصناعة والتجارة والمقاولات هي على النحو التالي: التعامل ببيع الأسمنت السائب والترخيص بها لعام 2022م وذلك بنفس الشروط والاسعار التي تتبعها الشركة مع عملائها الآخرين وذلك بكمية تبلغ (30,000) طن حسب حاجة العميل حيث بلغت قيمة الأعمال خلال العام 2021م مبلغ (164,663) ريال. • يتوقع أن تبلغ إجمالي مبلغ التعامل خلال فترة عام 2022م بحد أقصى (5,800,000) ريال سعودي.
2	رئيس مجلس الإدارة المهندس/ محمد بن مانع ابالاعلا - وعضو مجلس الإدارة المهندس/ أيمن عبدالرحمن الشبل - وعضو مجلس الإدارة المنتدب الاستاذ/ عبدالسلام بن عبدالله الدريبي.	• يعتبرون من أعضاء مجلس إدارة شركة المصانع الكبرى للتعدين. • تفاصيل الأعمال التي ستتم بين شركة أسمنت نجران وشركة المصانع الكبرى للتعدين هي على النحو التالي: التعامل ببيع الأسمنت السائب والترخيص بها لعام 2022م وذلك بنفس الشروط والاسعار التي تتبعها الشركة مع عملائها الآخرين وذلك بكمية تبلغ (1,500) طن حسب حاجة العميل. يتوقع أن تبلغ

إجمالي مبلغ التعامل خلال فترة عام 2022م القادم بحد أقصى (300,000) ريال سعودي.		
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وتقبلوا خالص التحيات والتقدير،،،

م. محمد بن مانع ابالاعلا
رئيس مجلس الإدارة

Agenda Item (13)

Vote on amending the Charter of Audit Committee

Charter of Audit Committee

Article (1): Composition of the Committee

1. The Board of Directors shall recommend to the General Assembly the appointment of the members of the Committee and/or the Chairman of the Committee for a period of three (3) years, and this period may not exceed the term of the Board of Directors.
2. By a decision of the Company's Ordinary General Assembly, an audit committee shall be formed from the shareholders or others whose members shall not be less than three (3) and not more than five (5).
3. The members of the committee shall nominate the Head of the committee by way of a vote by the majority of the committee members unless the council does so, and it is preferable that the Head of the committee be an independent member.
4. The committee appoints a secretary for its own committee from among its members or from one of the Company's employees, and the committee's secretary's terms of reference are determined by a decision of the committee.
5. The General Assembly may dismiss any member of the Committee in the event that member ceases to meet the conditions of membership or violates any system in force in the Company or followed by it.
6. A committee member may resign from the committee by providing the Company with thirty (30) days' notice prior to the effective date of the resignation.

7. The committee member shall be considered legally resigned if he fails to attend three (3) consecutive meetings without providing the Board of Directors with an acceptable excuse, and his membership in the committee shall ipso facto terminate upon the occurrence of any event that violates the terms of membership of the committee or any system in force in the Company or followed by it.

8. The committee member shall inform the company immediately in writing of any change that may lead to the termination of his membership in the committee and not to attend any meetings of the committee after that.

9. If any of the committee seats becomes vacant, the committee nominates one of the members, either from shareholders or others and submit the request to the Board of Directors for temporary approval. The Board of Directors presents the request for new membership at the first ordinary meeting of the general assembly to approve the new member or appoint another member.

Article (2): Rules for Selecting Members of the Committee

1. The committee must include at least an independent member and not include any of the executive Board members.

2. The Chairman of the Board of Directors may not be a member of the Committee.

3. The committee must include a member specialized in financial and accounting matters.

4. A person who works or has worked during the past two years in the executive or financial management of the Company, or with the Company's auditor, may not be a member of the committee.

5. Non-members of the Board of Directors who are shareholders, non-executives or independents can be members of the committee.

Article (3): The Committee's Duties and Responsibilities

The Audit Committee is responsible for monitoring the Company's business and verifying the integrity and correctness of its reports, financial statements and internal control systems. The committee's tasks include in particular the following:

1. Financial reports:

- a. Studying the company's quarterly and annual financial statements before submitting them to the Board of Directors and expressing its opinion and recommendation to ensure its integrity, fairness and transparency.
- b. Expressing a technical opinion - at the request of the Board of Directors - on whether the Board's report and the company's financial statements are fair and understandable and include information that allows shareholders and investors to evaluate the company's financial position, performance, business model and strategy.
- c. Study any important or unfamiliar issues contained in the financial reports.
- d. Carefully review issues raised by the company's financial Manager and the internal audit official or the auditor.
- e. Verification of accounting estimations in the material issues contained in the financial reports.
- f. Studying the accounting policies followed in the company and expressing opinion and recommendation to the Board of Directors in this regard.

2. Internal Audit:

- a. Studying and reviewing the company's internal and financial control and risk management systems.
- b. Approval of the annual plan of the internal audit activity.
- c. Studying internal audit reports and follow up the implementation of corrective actions recommended therein.
- d. Monitor and supervise the performance and activities of the internal audit in the company to verify the availability of the necessary resources and their effectiveness in performing the work and tasks assigned to it.
- e. Recommending to the Board of Directors for the following:
 - Appointing Manager of the internal audit unit/department, proposing his remuneration, evaluating his performance, and dismissing him (if the company does not have an internal audit unit/department, the committee must submit its recommendation to the Board regarding the need to establish it or not). The Manager of the Internal Audit Unit/Department is accountable to the Committee.
 - Nominating an external party to carry out the tasks and competencies of the internal audit unit or department, terminating them, determining their fees and evaluating their performance, after verifying their independence and reviewing the scope of their work and the terms of their contract.
- f. Meeting periodically with the internal audit officials and discussing the topics that the committee deems necessary to discuss with them individually or in the presence of whomever it deems appropriate of the company's senior executives.

g. Considering any difference in opinions that may arise between the internal audit officials and the management in the company, addressing them, and ensuring implementation of the decisions issued in this regard.

3. Auditing

a. Recommending the Board of Directors to nominate and dismiss the external auditor, determine his fees and evaluate his performance, after verifying his independence and reviewing the scope of work and the terms of engagement with him.

b. Verify the auditor's independence, fairness and the effectiveness of audit work, taking into consideration the relevant rules and standards.

c. Reviewing and approving the company's auditor's plan and make sure that they do not perform technical or administrative works outside the scope of audit work and expressing views in this regard.

d. Answer the company's auditor's queries.

e. Studying the auditor's report and their notes on the financial statements and follow up.

f. Considering any differences in opinion that may arise between the auditor and the executive management of the company, addressing them, and ensuring the implementation of the decisions issued in their regard.

g. Ensure the coordination of audit work in the event of more than one external auditor.

4. Commitment guarantee

a. Reviewing the results of the reports of the regulatory authorities and ensuring that the company has taken the necessary measures in this regard.

- b. Verify the company's compliance with relevant laws, regulations, policies and instructions.
 - c. Reviewing the contracts and transactions proposed to be conducted by the company with related parties, and presenting its views to the Board of Directors.
 - d. Raise the issues, it deems necessary to take action, to the Board of Directors, and make recommendations for actions to be taken.
5. Establishing a mechanism that allows employees in the company to submit their observations on any abuse in financial or other reports confidentially. The committee shall verify the application of this mechanism by conducting an independent investigation commensurate with the extent of the abuse and adopt appropriate follow-up procedures.
6. Ensure that the company's executive management takes appropriate measures to protect the company from strategic, financial, operational and compliance risks.
7. Ensuring that the company is managed according to sound economic base with efficiency and effectiveness.
8. Preparing and submitting regular reports to the Board of Directors on the activities of the Committee and its recommendations.
9. Preparing the annual report of the Audit Committee for the General Assembly.

Article (4): Powers of the Committee

1. In order to perform its duties, the Audit Committee will have following powers:

- a. The right to access the company's records and documents.
 - b. To request any clarification or statement from the members of the Board of Directors or the executive management.
 - c. To request the Board of Directors to invite the company's general assembly to convene if the Board of Directors interrupts its work or the company suffers serious damage or losses.
2. If there is a conflict between the audit committee's recommendations and the decisions of the Board of Directors, or if the Board refuses to accept the committee's recommendation regarding the appointment and termination of the company's auditor, determining his fees and evaluating performance, or appointing the official of the internal audit activity, the annual report of the Board of Directors must include the committee's recommendation and its justifications for it.
3. Seeking the assistance of experts and specialists it deems fit from within or outside the company within the limits of its powers, provided that this is included in the minutes of the committee's meeting, with the name of the expert and his relationship with the company or the executive management.

Article (5): Committee's Work Rules

1. The committee meets periodically at the times specified by its Chairman, and the number of its meetings must not be less than four (4) meetings during the company's financial year, and it is possible for the committee to meet at the request of two of its members or whenever the need arises.
2. For the validity of the committee's meetings, the presence of the majority of its members is required, and its decisions are issued by the majority of the votes of those present, and each member of the committee has one vote.

3. A committee member may not delegate other members to attend committee meetings on his behalf.
4. The audit committee meets periodically with the company's auditor and with the company's internal audit official.
5. The internal audit official and the auditor may request a meeting with the audit committee whenever the need arises.
6. No member of the Board of Directors or the executive management, except for the secretary of the committee and members of the committees, is entitled to attend its meetings unless the committee requests hearing his opinion or obtaining his advice.
7. The committee's meeting agendas are prepared by its Chairman and the committee approves the agenda during the meeting. If any member objects to this schedule, it must be recorded in the minutes of the meeting. Each member of the committee has the right to suggest adding any item to the meeting's agenda.
8. The Secretary of the Committee shall provide the Committee members with the agenda for each meeting of the Committee, working papers, documents and information related to the meeting, and any additional documents or information requested by any of the members related to the topics included in the meeting's agenda before the meeting date.

Article (6): Committee meeting minutes

1. The committee's meetings must be documented. Minutes should be prepared to include discussions and deliberations, its recommendations and voting results. It should be recorded in a special and organized register with names of the attending members, reservations they made (if any) and to be signed by all the members present.

2. The minutes are prepared by the committee's secretary and presented to the committee Chairman, then to the members. Circulation of the draft minutes is limited to this group only until it is approved.

3. The draft minutes shall be prepared within a period not exceeding seven (7) working days, from the date of the day following the meeting and to be completed by both the committee secretary as well as the Chairman. Thereafter, it should be circulated to the committee members. Each member must express his opinion and suggestions on the draft minutes within seven (7) days from the date of sending the draft to the member, with the need to indicate any observations (if any) or approval of the draft minutes. Comments received after approval will not be considered.

Article (7): Evaluation of the Committee's Performance

1. The performance of the committee is evaluated annually by the Board of Directors.
2. The committee Chairman shall annually evaluate the performance of the committee's secretary.

Article (8): Remunerations and Compensations of Committee Members

Each member of the committee is entitled to the following compensation:

1. Attendance allowance for each meeting in the amount of three thousand (3000) riyals for each member.
2. Annual compensation of one hundred thousand riyals (100,000) per member, in addition to additional annual compensation of fifty thousand riyals (50,000) for the chairman of the committee.
3. An attendance allowance of one thousand five hundred riyals (1,500) for each meeting to the Secretary of the Committee.

4. Members of the Committee who reside outside the cities in which the meeting of the Committee is held are entitled for reimbursement of all expenses incurred by them to attend the meetings, provided that such expenses are reasonable and acceptable in accordance with business standards such as travel, meals, accommodation and other expenses incurred specifically for the purpose.

5. The Board of Directors shall evaluate and disclose to the General Assembly the submitted reports, the remuneration and other payments made to the members of the Committee.

Article (9): The committee's work charter

The General Assembly, based on a proposal from the Board of Directors, issues a work regulation (charter) for the committee that includes the committee's work controls and procedures, its tasks, the rules for selecting its members, how to nominate them, the term of their membership, their remuneration and the mechanism for temporarily appointing its members in case one of the seats becomes vacant.

The committee reviews this charter periodically, and the Board of Directors must approve any changes proposed by the committee. Such Charter will be valid only once approved by the general assembly in its annual meeting.

Amendment to Charter of the Audit Committee

Article Number	Existing charter	Amendment proposed
8 - 2	Annual compensation of one hundred thousand riyals (100,000) per member	Annual compensation of one hundred thousand riyals (100,000) per member, in addition to additional annual compensation of fifty thousand riyals (50,000 riyals) for the Chairman of committee.

Audit committee report

Report of the Audit Committee Submitted to the Ordinary General Assembly
For the Financial Year Ending on 31 December 2021

Dear Najran Cement Company Shareholders,

The Audit Committee of Najran Cement Company (“**the Company**”) is one of the Committees emanated from Board of Directors (“**the Board**”) which was formed under the resolution the Extraordinary General Assembly dated 19-06-2019 corresponding to 16-10-1440H. The Committee consist of non-executive members of the Board and members from outside the Company. There was no change in the formation of the Committee until the end of the year 2021. Details of the members are as follows:

1. Mr. Waleed Ahmed Bamarouf - Chairman (Independent)
2. Mr. Waleed Abdulrahman Al-Mousa - Member (Independent)
3. Mr. Abdulelah bin Naser Al-Harourah - External Member
4. Mr. Nabeih bin Fakhry Al-Jehani - External Member

The Audit Committee has been assigned the supervisory and control tasks in the Company including but not limited to ensuring the independence and efficiency of internal and external audits, reviewing reports and submit recommendation and reports on its activities periodically to the Board.

Based on Article 104 of the Companies Law, the Audit Committee (“**the Committee**”) is pleased to submit its report containing important activities carried out during financial year ending 31-12-2021 to the respected shareholders as follows:

Frist : Financial Statements and Internal and External Auditors

- Review the proposal for the appointment of the external auditor for the financial year 2021 and selecting the best among them.
- Approval of recommendations to the Board of Directors and General Assembly to appoint the external auditor for the financial year 2021.
- Review of external auditor’s audit plan for annual review.
- Studying the preliminary and annual financial statements and discussing them with the Company’s management and external auditor and providing opinions, observations and recommendations before submitting it to the Board.
- Study the accounting policies being followed and express opinions and observations thereon to ensure their compatibility with the nature of the Company’s activities and its compliance in implementing the International Financial Standard (IFRS).

- Study and discuss the notes contained in the report of the Company's external auditor and follow up on developments related to them.
- Review and recommend approval of quarterly and annual financial statements.
- Ensure implementation of VAT in line with relevant regulations.
- Review Management Letter with the external auditor for the financial year ending 31-12-2020.

Second: Internal Audit:

- Review the internal auditor action plan for the year 2022.
- Review the periodic report of the internal audit, evaluating the achievements made and the developments in the following up the result of the audit work on a quarterly basis.
- Evaluate the extend of management's response to the observations and recommendations of the internal auditor.

Third: Other Activities:

- Approve audit committee's action plan for the next year 2022 which includes times and date of the committee's next meetings and proposed topics for each meeting to ensure achieving the goals of the Committee.
- Review the latest development related to the appeal of Zakat and VAT.
- Other tasks as required upon the request of the Board which includes review the need to update Corporate Governance Manual or adding Charter of the Board of Directors, Sub Committees of the Board and Management, review the adequacy and comprehensiveness of the procedures followed for material receiving and issuing processes in the Company warehouses.

Fourth: Audit Committee Meeting for the year 2020:

The Committee has held (6) meetings during the financial year 2021.

Fifth: Conclusion:

Based on what was presented to the Committee from external and internal auditors the committee doesn't see any material observations on the company's business and that the internal control procedures have been prepared on sound basis and effectively implemented.

Date: 31 March 2022

Waleed bin Ahmed Bamarouf
Chairman of the Audit Committee