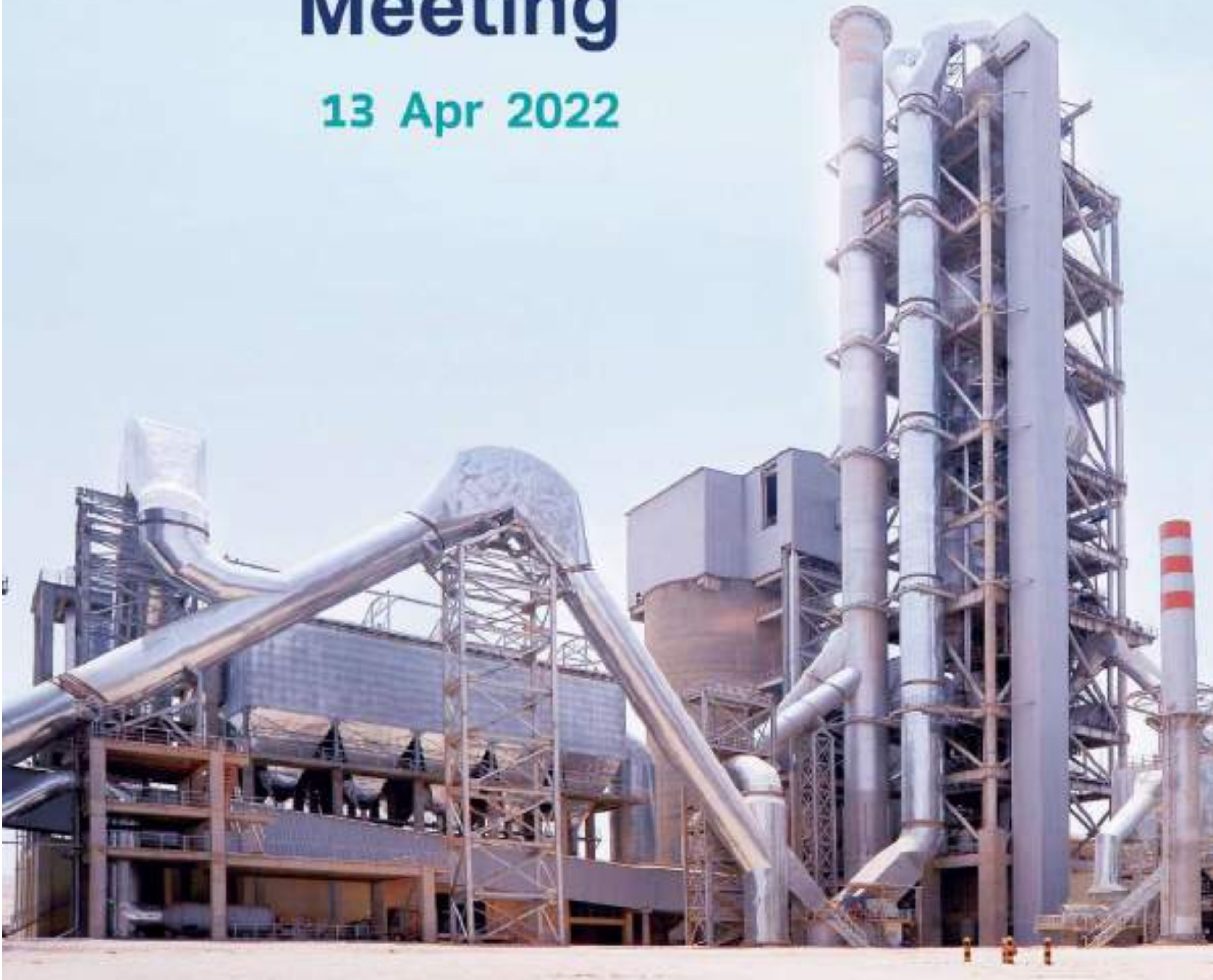
Najran CEMENT
NAJRAN CEMENT COMPANY

17th Ordinary General Assembly Meeting

13 Apr 2022



1. Review and discuss the Board of Directors' report for the fiscal year ended 31 December 2022 (attached).
2. Vote on the Auditor's report for the fiscal year ended 31 December 2022 (attached).
3. Review and discuss the financial statements for the fiscal year ended 31 December 2022 (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 2022.
5. Vote on the appointment and determining fees of the external auditor for the Company from among the candidates based on recommendation of the Audit Committee to examine, review and audit the Company’s financial statements for the second and third quarters and the annual financial statements of fiscal year 2023 and first quarter of fiscal year 2024G (attached).
6. Vote on the Board of Directors ’recommendation to distribute cash dividends for the second half of 2022 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 day on the day of Company’s general assembly and who are registered in the Company’s shareholders register at Securities Depository Center (Edaa) 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 2022 is 0.5 riyal per share representing 5% of the nominal value of the share with a total amount of 85 million riyals. The date of dividend distribution will be announced later.
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 31-12-2022 G.
8. Vote on the business and contracts that will take place 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 cement worth SAR 5.8 million as per customer need with same conditions and prices that Company follows with its other customers (attached).
9. Vote on the business and contracts that concluded between the Company and Yaal Arabya Company for Industry, Commerce and Contracting Ltd. in which member of the Board of Directors, Mr. Ali Hussein Bin Berman Al-Yami has a direct interest in it for sale of cement where the value of business during 2022 amounted to 2,595,000 Riyals according to the prevailing commercial conditions (attached).
10. Vote on delegation of powers to the Board of Directors as stipulated in Paragraph (1) of Article 27 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.
11. Vote on authorizing the Board of Directors to distribute interim dividends to shareholders on semi-annual or quarterly basis for the fiscal year 2023, 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.
12. Vote on the decision of the Board of Directors to appoint Mr. Ziad bin Ibrahim bin Abdullah Al-Jared as a member of the Audit Committee (independent Board member) effective from 17-10-2022 to complete the current session which ends on 08/08/2025, provided that the appointment shall take effect from the date of the resolution issued by the Board of Directors and this appointment comes in accordance with the Audit Committee's work regulations (attached).

VISION رؤيـــة
2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

Annual Report

Financial year

2022

Najran
CEMENT
NAJRAN CEMENT COMPANY

www.najrancement.com

Najran CEMENT
NAJRAN CEMENT COMPANY
Saudi Joint Stock Company

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The report of the Board of Directors of Cement Company to the Ordinary General Assembly of the shareholders for the financial year 2022

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 ABDULAZIZ 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 the company›s activities and achievements for the financial year ended December 31, 2022 which reflects the Company's performance in delivering the expectations of its shareholders, contribution to support the cement industry and strengthening the national economy.

The company continued to achieve healthy profits during the year 2022 by recording a net profit of SAR 113.7 million, an annual decrease of 31% from previous year. Despite an increase in volume of sales by 2%, the Company witnessed a drop in profit due to decrease in average selling price during the year. As a result of continued efforts to rationalize expenses and improve production as well as operating efficiency, the Company could maintain the same level of production cost compared to last year, despite the inflationary pressures resulted from the war in Ukraine and subsequent disruption of supply chain activities that were reflected in the high cost of production inputs. In addition, the Company's subsidiary which commenced commercial operation in the field of land transportation by the end of 2021, attained the targeted operational level during 2022 which contributed to reduce the operational costs of Najran Cement Company.

As a result of sustained performance, the company was able to maintain a healthy level of debt-to-asset ratio at 11.6%. In addition, the company could distribute dividends to its shareholders, where dividends of SAR 42.5 million were distributed for the first half of 2022 and recommendation was made to the General Assembly to distribute dividends of SAR 42.5 million for the second half of 2022, bringing the total dividends for the year 2022 to SAR 85 million representing 5% of the nominal value of the share.

The company›s executive management and employees will continue their efforts to further develop its production activities and improve its performance to new levels, under the supervision and guidance of the Board of Directors with an aim to achieve the aspirations and hopes of our valued shareholders in accordance with the Kingdom›s Vision 2030.

In conclusion, on behalf of the Board of Directors of the Company, I thank our wise Government for continuous support, and I thank you, dear shareholders, for your support and trust. I look forward to your continued support so that together we can build a company that delivers excellence.

Chairman of Board of Directors

Waleed Abdulrahman Abdullah al Mousa

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 Industry 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 four types of cements are produced in its production facilities which are:

1. Ordinary Portland Cement (OPC).
2. Sulphate Resistant Cement (SRC).
3. Portland Pozzolona Cement (PPC).
4. Finishing Cement.

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

4. Subsidiary Company

Najran Cement Company has one wholly owned subsidiary registered in the kingdom under Commercial Registration # 5950119264. Details of the subsidiary are:

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- Limited Liability	SR 30 Million	100%	Road transportation of goods	Saudi Arabia	Saudi Arabia

Governance

5. Governance

5.1. Composition of the Board of Directors

Mr. Waleed Abdulrahman Abdullah Al Mousa
Chairman of the Board of Directors
(Non-Executive)

Mr. Waleed Abdulrahman Abdullah Al Mousa
Vice Chairman of the Board of Directors
(Non-Executive)

Mr. Abdulsalam bin Abdullah Aldraibi
Member (Executive)

Mr. Waleed bin Ahmed bin Mohammed Bamarouf
Member (Non-Executive)

Mr. Ali bin Hussein bin Berman Al Yami
Member (Independent)

Mr. Majed bin Ali bin Hussain bin Musallam
Member (Independent)

Dr. Ahmed bin Siraj bin Abdulrahman Khogeer
Member (Independent)

Mr. Abdulhadi bin Hadi Mohammed Al Dohan
Member (Independent)

Mr. Ziyad bin Ibrahim bin Abdullah Aljared
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 09-08-2022 and will end on 08-08-2025. Details of the members with their current roles, qualifications and experience are shown in table below.

Name	Current functions	Previous Jobs	Qualifications	Experience
Mr. Waleed bin Abdul Rahman Al Mousa	-Chairman, Board of Directors Najran Cement. -Senior Manager of Investments and Board Member of Abdulrahman Al-Moosa Holding Company	- Manager, Global Structured Credit, Capital Markets at HSBC Bank Plc based in London - Deputy Treasury Risk Manage	- 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 21 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. Fahd bin Abdullah Al Rajhi	-Vice Chairman of Najran Cement Company -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 23 years of experience as Board member of several joint stock Companies
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 14 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.
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 10 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 the Board of Directors of Ali Hussein Al-Yami Company and Al-Burman Trading Enterprises Company and Group	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 more than 40 years

Name	Current functions	Previous Jobs	Qualifications	Experience
Mr. Majed Ali Hussain bin Musallam	- Member of the Board of Directors of Al Masane Al Kobra mining Company. -Member of the Board of Directors of Al Salam Aerospace Company	Member of Board of Directors in SCAB Group Company	-BBA from King Abdulaziz University, Jeddah	- More than 15 years of experience in real estate, aviation and mining sectors
Dr. Ahmed Siraj Abdulrahman Khogeer	Part-time consultant and member of the Board of Directors of many international companies and councils	- Senior Engineer at Saudi Aramco Projects, KAUST Project Management. -Head of Petrochemical Fuels at the American Institute of Chemical Engineers	-PhD in Chemical Engineering from Colorado State University, USA -MBA from Colorado State University, USA -MSc in Chemical Engineering from University of Tulsa, USA -The first Arab to hold fellowship in Chemical Engineering -Fellowship of the Council of Engineers, Texas, USA -Postgraduate certificate in advance financial investments and finance -Certified project manager (PMP) -Certified international Arbitrator	- 31 years' experience with Saudi Aramco in Refinery Departments, Facilities Planning, Research and Development, and Mega Project Management. - Advisor to Senior management and founding member of King Abdullah University of Science and Technology - Held leadership positions at the American Institute of Chemical Engineers as the first person in history from outside America
Mr. Abdulhadi Hadi Mohammed Aldohan	- Businessman and consultant for some foreign companies	-Director, General Authority for Investment, Riyadh Region	BBA	More than 20 years of experience in leadership positions in the banking sector, food and beverage sectors
Mr. Ziyad Ibrahim Abdullah Aljared	GM, Ibrahim Al Jared Trading Establishment	- Acting Director of the Maritime Transport Department for Planning and Scheduling at SABIC. - Executive Shipping Representative of the Petrochemical and Ammonia Gas Tanker Department at SABIC. - General Manager at DAMA Arabia Trading Establishment	-BBA from King Abdulaziz University	Having more than 17 years' experience in administration and operational areas of private and public sector Companies and membership in Board of Directors of several private Companies

5.3. Committee members (outside Board of Directors)

Below are the details of Committee members (outside the board), their roles, qualifications and current experience:

Name	الوظائف الحالية	الوظائف السابقة	المؤهلات	الخبرات
Mr. Abdulelah bin Nasser Al-Haroura (Audit Committee member)	- Head of Accounting and Financial Control Department at Banque Saudi Fransi, Jeddah. - Member of the Audit Committee of NCB Capital.	- Executive Vice President, Head of Financial Accounting, National Commercial Bank - Senior Revenue System Analyst, Partners Healthcare System Inc, Boston, USA	-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
Mr. Nabeih Fakhri Zarie Al Jehan (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 Qatrana Cement Company in Jordan. - Member and Chairman of the Audit Committee at Ahli Takaful. - Member of Board of Directors and Chairman of Audit Committee – Ready Mix Concrete Supply Company	-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	- Certified Public Accountant (CPA). - Master of Science in Accountancy from University of Illinois, USA	Having more than 26 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.

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 / ....)
Mr. Waleed bin Abdul Rahman Al Mousa	Abdulrahman bin Abdullah Al Mousa Holding Company	KSA	Unlisted	-	-	-
Mr. Fahd bin Abdullah bin Al Rajhi	Raysut Cement Company Albaraka Turkish Bank	Outside Outside	Listed Listed	-Tabuk Agricultural Development Company -Osool & Bakheet Investment Company	KSA KSA	Listed Limited liability
Mr. Waleed bin Ahmed Mohammed Bamarouf	-	-	-	-Rabigh Refining & Petro-chemical Company -Yanbu National Petrochemical Company (YANSAB) - Etihad Atheeb Telecom	KSA KSA KSA	Listed Listed Listed
Mr. Ali bin Hussein bn Borman Al Yami	- Ali Hussain Al Yami and Partners - Binary Support Company - Yale Arabia Company for Industry, Trade and Contracting - Oceans Marine Company Ltd - Brias Company for designing Computer systems and communication devices	KSA KSA KSA Outside Outsid	Limited Liability Limited Liability Limited Liability Partnership Limited Liability	- Borman & Kano Mining Company -The Egyptian Saudi Company for Development and Investment Projects	KSA Outside	Limited Liability Partnership
Mr. Abdulsalam Aldraibi	Al Masane Al Kobra Mining Company Wasl Janub Land Transportation	KSA KSA	Listed Limited Liability	-	-	-
Mr. Majed Ali Hussain bin Musallam	Al Masane Al Kobra Mining CO	KSA	Listed	-	-	-
Dr. Ahmed Siraj Abdulrahman Khogeer	- Gulf General Cooperative Insurance Company -Naseej International Trading Company	KSA KSA	Listed Listed	-	-	-
Mr. Abdulhadi Hadi Mohammed Aldohan	-	-	-	-	-	-
Mr. Ziyad Ibrahim Abdullah Aljared	- Abdullah Al Jared Trading Company Ltd - New Dimension Company	KSA KSA	Limited Liability 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	Mr. Waleed bin Abdul Rahman Al Mousa	1,000	1,000	0	0
2	Mr. Fahd bin Abdullah Al Rajhi	32,036	32,036		
3	Mr. Waleed bin Ahmed Bamarouf	2,000	2,000	0	0
4	Mr. Ali bin Hussein bin Borman Al Yami	10,000	10,000	0	0
5	Mr. Abdulsalam Aldraibi**	20,000	20,0000	0	0
6	Mr. Majed Ali Hussain bin Musallam	-	5,000	5,000	100%
7	Dr. Ahmed Siraj Abdulrahman Khogeer	-	5	5	100%
8	Mr. Abdulhadi Hadi Mohammed Aldohan	-	1,000	1,000	100%
9	Mr. Ziyad Ibrahim Abdullah Aljared	-	36	36	100%

b. The interest and rights of senior executives

Sr.No	Name of person	Number of shares beginning of yea	Number of shares end of year Number of shares	Net change	Percentage change
1	Mr. Abdulsalam Aldraibi**	20,000	20,000	0	0

**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 (SR 000")
Yaal Al Arabya Company	Mr. Ali bin Borman Al Yami - Partner and member of Board of Directors	Sale of cement	One year	2,595,000

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 04 times during 2022. Table below shows the attendance record of Audit Committee during 2022.

Sr.No	Name	Position	(1) 27/02/2022	(2) 19/05/2022	(3) 01/08/2022	(4) 31/10/2022
1	**Mr. Waleed bin Ahmed Mohammed Bamarouf**	Chairman	√	√	√	√
2	**Mr. Waleed bin Abdul Rahman Al Mousa***	Member	√	√	√	Previous member
3	**Mr. Ziyad Ibrahim Abdullah Aljared****	Member	New member			√
4	**Mr. Abdulelah Nasser Al Haroura**	Independent member	√	√	√	√
5	**Mr. Nabeih Al Jehani**	Independent member	√	√	√	√

*Resigned from membership on becoming Chairman of the Board of Directors on 18-08-2022.

**Appointed as a member in Audit Committee effective from 17-10-2022.

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 five members from the Board of Directors. The Committee has performed its duties and responsibilities through 06 meetings held during the year 2022. Table below shows the attendance of members in the Committee's meetings.

Sr.No	Name	Position	Number of meetings					
			(1) 13/02/2022	(2) 06/04/2022	(3) 27/04/2022	(4) 23/06/2022	(5) 25/09/2022	(6) 21/12/2022
1	Mr. Majed Ali Hussain bin Musallam*	Chairman (current session)	New member from 09-08-2022				√	√
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. Abdulhadi Hadi Mohammed Aldohan*	Member	New member from 09-08-2022				√	√
6	Mr. Salah Yaseen Khalil Allaf **	Chairman (previous session)	√	√	√	√	Member in previous session	
7	Engr. Haider Al Hertani**	Member (External)	√	√	√	√	Member in previous session	

*Members of new session started on 09-08-2022

**Members of previous session ended on 08-08-2022

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 Nomination and Remuneration Committee convened 04 times during 2022. Table below shows the attendance record of the Committee during the year.

Sr.No	Name	Position	Number of meetings			
			(1) 07/04/2022	(2) 22/05/2022	(3) 01/10/2022	(4) 13/12/2022
1	Dr. Ahmed Sirag Abdulrahman Khogeer*	Chairman (current session)	Member new session		√	√
2	Mr. Fahad Bin Abdullah Al Rajhi	Member	√	√	√	√
3	Mr. Waleed Bamarouf	Member	√	√	√	√
4	Mr. Ziyad Ibrahim Abdullah Aljared*	Member	Member new session		√	√
5	Mr. Ali bin Hussein Borman Al Yami**	Member	√	√	Member previous session	
6	Mr. Abdullah Bin Salim Al Wesaimer**	Member	√	√	Member previous session	

*Members of new session started on 09-08-2022

**Members of previous session ended on 08-08-2022

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 14 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 since 28 April 2014	- 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. Ataa Abdulqader Saleh Bakkar	Vice President Commercial Affairs since 24 July 2022	CEO – Lafarge Holcim Global Gypsum Co National Sales Manager – Lafarge – Saudi Arabia (Al Safwa)	MBA (Marketing) Bachelors Degree in Chemical Engineering	Having more than 20 years' experience in managing industrial plant, marketing, planning, commissioning, stabilization and optimization.
Mr. Saeed Al Hareth Al yami	Vice President, HR & SS since 29 Sept 2022	- Senior Manager, HR, Najran Cement - Manager, Human Resources, Najran Cement	- MBA - Bachelor degree in public administration	More than 17 years' experience in leadership and supervisory roles in Human Resources and Support Services functions. Currently member of several Committees in Najran Region including Saudization, Mining and Investment Committees.
Mr. Rami Jawad Mahmoud Abu Jneid	CFO since 28 Dec 2022	- Finance Manager, Arab Media Network - Senior Chief Accountant, Al-Sadaf for Sonic & Visual Production - Financial Controller, Arabian Packaging Co Sahari pack - Senior Manager-Accounting & Finance Department, Al Khabeer Capital Group - Finance Director, Al-Mahmal Facilities Services, SEDCO Group - Financial Controller, Najran Cement	- Master's Degree in Accounting from Arab Academy for financial & banking sciences - Bachelor's degree in accounting from Zarka Private University	More than 22 years' experience in the field of accounting, financial management and reporting.

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 Company is managed by a Board of Directors consisting nine members. The Board of Directors holds at least four meetings every year to review Company's progress in implementing strategic decisions, initiatives and achievements. During 2022 five meetings were held and the below shows the attendance record of Board of Directors' in the meeting.

Sr.No	Name	Number of meetings				
		(1) 13/04/2022	(2) 17/07/2021	(3) 18/08/2022	(4) 02/10/2022	(5) 28/12/2022
1	Mr. Waleed bin Abdul Rahman Al Mousa	√	√	√	√	√
2	Mr. Fahd bin Abdullah Al Rajhi	√	√	√	√	√
3	Mr. Waleed bin Ahmed Bamarouf	√	√	√	√	√
4	Mr. Ali bin Hussein bin Borman Al Yami	√	√	√	√	√
5	Mr. Abdulsalam Abdullah Aldraibi	√	√	√	√	√
6	Mr. Majed Ali Hussain bin Musallam*	Member in new session		√	√	√
7	Dr. Ahmed Siraj Abdulrahman Khogeer*	Member in new session		√	√	√
8	Mr. Abdulhadi Hadi Mohammed Aldohan*	Member in new session		√	√	√
9	Mr. Ziyad Ibrahim Abdullah Aljared*	Member in new session		√	√	√
10	Engr. Mohammed Bin Mana Aballala**	√	√	Member previous session		
11	Engr. Ayman bin Abdul Rahman Al Shibl**	√	√	Member previous session		
12	Mr. Abdullah Bin Salim Al Wesaimer*	√	√	Member previous session		
13	Mr. Salah Yaseen Khalil Allaf**	√	√	Member previous session		

*Members in new session started on 09-08-2022

**Members in previous session ended on 08-08-2022

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 13 April 2022 at Company Headquarters in Najran. Due to Covid19-pandemic and subsequent travel restrictions, the meeting was held by using the modern means of communication. Also held general assembly of shareholders on 17 July 2022 at Hilton hotel Jeddah, physically and by using modern means of communication.

Table below shows the attendance record of Board members in the General Assembly:

Sr.No	Name	13/04/2022	17/07/2022
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 2022, the Company's Investor Relationship Department requested shareholders records three times through Tadawulaty service for reasons mentioned below:

Number of Company's applications for the register of shareholders	Date of application	Reasons for request
1	13/04/2022	General Assembly
2	17/07/2022	General Assembly
3	31/12/2022	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 prescribed for the members of the Board of Directors.

iii. The remuneration of the members of the Board of Directors shall consist of financial or in-kind remuneration and 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 payment for 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)-Details of remunerations paid to the members of the Board of Directors during 2022 are:

Name	Fixed remunerations							Variable remunerations						End of Service Award	Aggregate Amount	Expenses allowance
	Specific	Allowance for attending Board meetings	Total allowance for attending	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 plans	Granted shares (insert the value)	Total			
Independent members																
Mr. Salah Yaseen Khalil Allaf (previous member)	300	6	12	-	-	-	318	-	-	-	-	-	-	-	318	17
Mr. Ali bin Hussein bin Borman Al Yami	300	15	24	-	-	-	339	-	-	-	-	-	-	-	339	50
Dr. Ahmed Sirag Abdulrahman Khogeer	-	9	06	-	-	-	15	-	-	-	-	-	-	-	15	-
Mr. Majed Ali Hussain bin Musallam	-	9	06	-	-	-	15	-	-	-	-	-	-	-	15	-
Mr. Abdulhadi Hadi Mohammed Aldohan	-	9	06	-	-	-	15	-	-	-	-	-	-	-	15	13
Mr. Ziyad Ibrahim Abdullah Aljared	-	9	09	-	-	-	18	-	-	-	-	-	-	-	18	-
Total	600	57	63	-	-	-	720	-	-	-	-	-	-	-	720	80
Non-Executive Directors																
Engr. Mohammed bin Mana Aballala (previous member)	300	6	-	60	-	200	566	-	-	-	-	-	-	-	566	-
Mr. Abdullah Al Wesaimer (previous member)	300	6	06	-	-	-	312	-	-	-	-	-	-	-	312	4
Mr. Fahd bin Abdullah Al Rajhi	300	15	12	-	-	-	327	-	-	-	-	-	-	-	327	5
Mr. Waleed bin Abdul Rahman Al Mousa	300	15	27	-	-	-	315	-	-	-	-	-	-	-	324	9
Mr. Waleed bin Ahmed Mohammed Bamarouf	300	15	24	-	-	-	315	-	-	-	-	-	-	-	339	-
Total	1,500	57	69	60	-	200	1,886	-	-	-	-	-	-	-	1,886	18
Executive Directors																
Engr. Ayman bin Abdul Rahman Al – Shibl (previous member)	300	6	-	-	-	210	516	-	-	-	-	-	-	-	516	-
Mr. Abdulsalam Abdullah Aldraibi	300	15	18	-	-	-	333	-	-	-	-	-	-	-	333	-
Total	600	21	18	-	-	210	849	-	-	-	-	-	-	-	849	-
Grand Total	2,700	135	150	-	-	410	3,455	-	-	-	-	-	-	-	3,455	-

* Fixed remuneration of members shown above are for the year 2021 which was approved by the General Assembly on 13 April 2022 and disbursed thereafter.

e. Remunerations of Senior Executives (in thousand Riyals) - Remunerations paid to the Senior Executives during 2022 are:

Name	Fixed Remunerations	Variable Remunerations	End of service benefits	Total remunerations for Board Executives, if any	Aggregate amount
Executive Management	3,497	2,480	196	--	6,173

f. Committee Members Remuneration (in thousand Riyals) - Remunerations paid to the Committee members during 2022 are:

Sr.No	Name	Fixed Remuneration (Except for the allowance for attending Board meetings)	Allowance for attending Board meetings	Total
Audit Committee**				
1	Mr. Waleed bin Ahmed Mohammed Bamarouf	150	12	162
2	Mr. Waleed bin Abdul Rahman Al Mousa	100	9	109
3	Mr. Abdulelah Nasser Al Haroura	100	12	112
4	Mr. Nabeih Fakhri Zarie Aljehani	100	12	112
5	Mr. Ziyad Ibrahim Abdullah Aljared	0	3	3
	Total	450	48	498
Executive Committee***				
1	Mr. Salah Yaseen Khalil Allaf	75	12	87
2	Mr. Waleed bin Abdul Rahman Al Mousa	50	18	68
3	Mr. Ali bin Hussein bin Borman Al Yami	50	18	68
4	Mr. Abdulsalam Aldraibi	50	18	68
5	Mr. Majed Ali Hussain bin Musallam	0	6	6
6	Mr. Abdulhadi Hadi Mohammed Aldohan	0	6	6
7	Engr. Haider Al Hertani (previous external member)	50	12	62
8	Mr. Mohammed Bin Talal Al Nory (previous external member)	50	0	50
	Total	325	90	415
Nomination and Remuneration Committee***				
1	Mr. Waleed Bamarouf	75	12	87
2	Mr. Fahad Al Rajhi	50	12	62
3	Mr. Ahmed Siraj Abdulrahman Khogeer (member in new session)	0	6	6
4	Mr. Ziyad Ibrahim Abdullah Aljared (member in new session)	0	6	6
5	Mr. Ali bin Hussein bin Borman Al Yami (previous member)	50	6	56
6	Mr. Abdullah Bin Salim Al Wesaimer (previous member)	50	6	56
	Total	225	48	273

* Fixed remuneration of members shown above are for the year 2021 which was approved by the General Assembly on 13 April 2022 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 and an additional SR 50,000 to the Chairman of Audit Committee for their contribution during the financial year ended 31st December 2021.

*** Members of the Board committees were granted a financial reward of SR 50,000 per member and an additional SR 25,000 to the Chairman of Committees 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 31-12-2022.

5.15. Any penalty, penalty, precautionary measure or precautionary restriction imposed on the Company by the Authority or by any supervisory, regulatory or judicial authority.

/Penalty/Precautions Restrictions	Violation	Authority	Measures to treat and avoid violations in future
SR 10 million	Violation of competition law	General Authority for Competition	Adherence to laid down rules/ regulations

5,16. 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.

5.17. 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 Chartered and Professional Accountants (SOCPA)

(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 2022 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

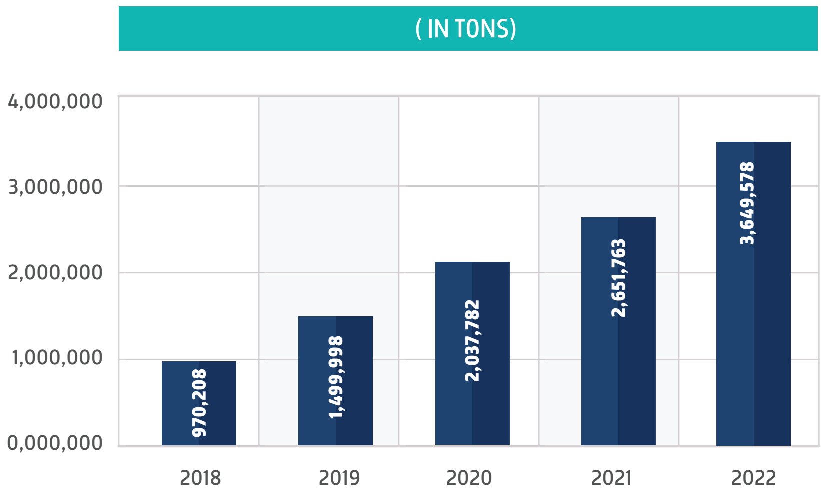
7. Performance

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. Total clinker production for the year 2022 touched 3,649,578 tons compared to 2,651,763 tons of the previous year, an increase of 997,815 tons equivalent to 38%. During 2022, the Company operated two production lines and maintained the third one as a reserve line to rotate operation between the production lines. This resulted into increase of clinker inventory to 1,996,297 tons by end of the year compared to 1,058,436 tons of similar period in 2021. Company having unutilized portion of production capacity for both clinker production and cement grinding which were not utilized during 2022 due to low demand. In addition, Company having sufficient clinker stock to meet any surge in demand.

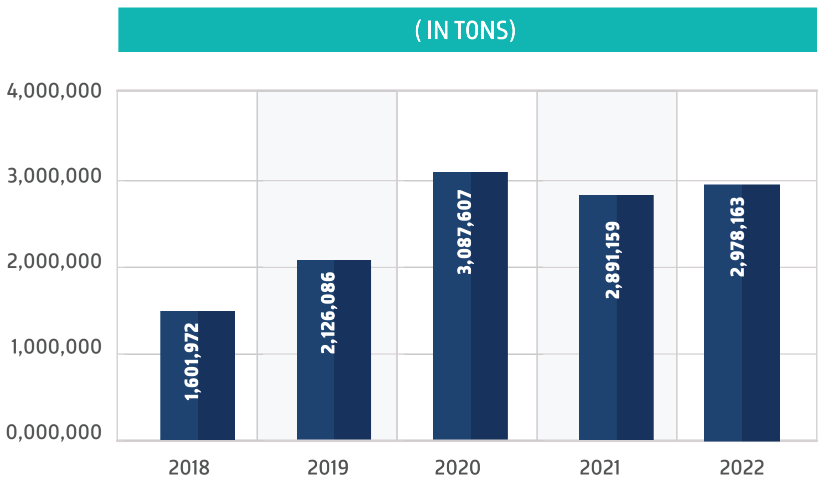
The following chart shows the companys's total clinker production during the five years from 2018 to 2022(Thousand tons)



b. Cement Production

Company having total cement grinding facility of 6,336,000 tons annually. During 2022 Company produced 2,978,163 tons of cement compared to 2,891,159 tons in 2021; increased by 3%.

The following chart shows the company's production of cement during the five years from 2018 to 2022 (thousand tons).

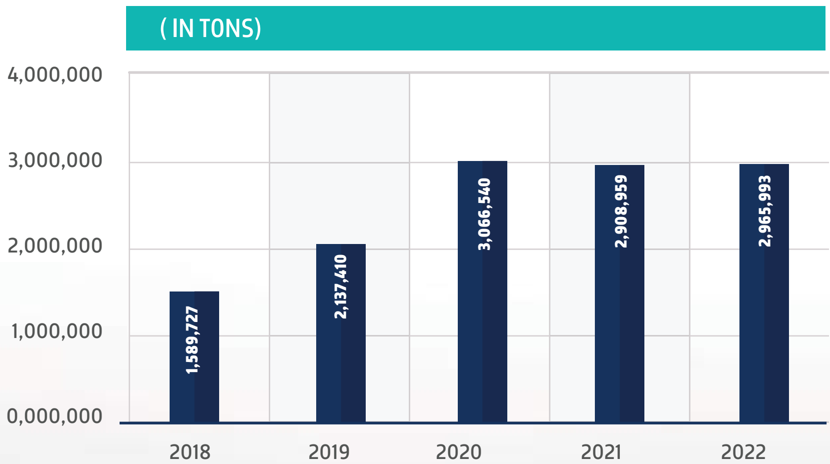


c. Marketing and Sales

With the gradual easing of restrictions on Covid-19, the cement sector was expected to strengthen during 2022. However, the inflationary trend led to a slowdown in construction activities which resulted in decrease of cement demand in the local market by 2%. Despite that, during the year 2022 the company could achieve a total cement sales of 2,965,993 tons compared to 2,908,959 tons of cement in 2021 with a growth rate of 2%.

It is worth mentioning that Company›s sales mainly went to cover the needs of the local markets in addition to exporting some quantities to the Republic of Yemen. The Company relies on policy of direct selling to traders, distributors and consumers. The Company has obtained permit for cement export from the Ministry of Trade and Investment under license Nos 72098 dated 27-08-1443H and 4969 dated 15-11-1443H. The Company exported 322,463 tons of cement to the Republic of Yemen as of 31 December, 2022. This represents about 11% of the Company's total sales of the year 2022.

The following chart shows the company›s sales during the five years from 2018 to 2022.

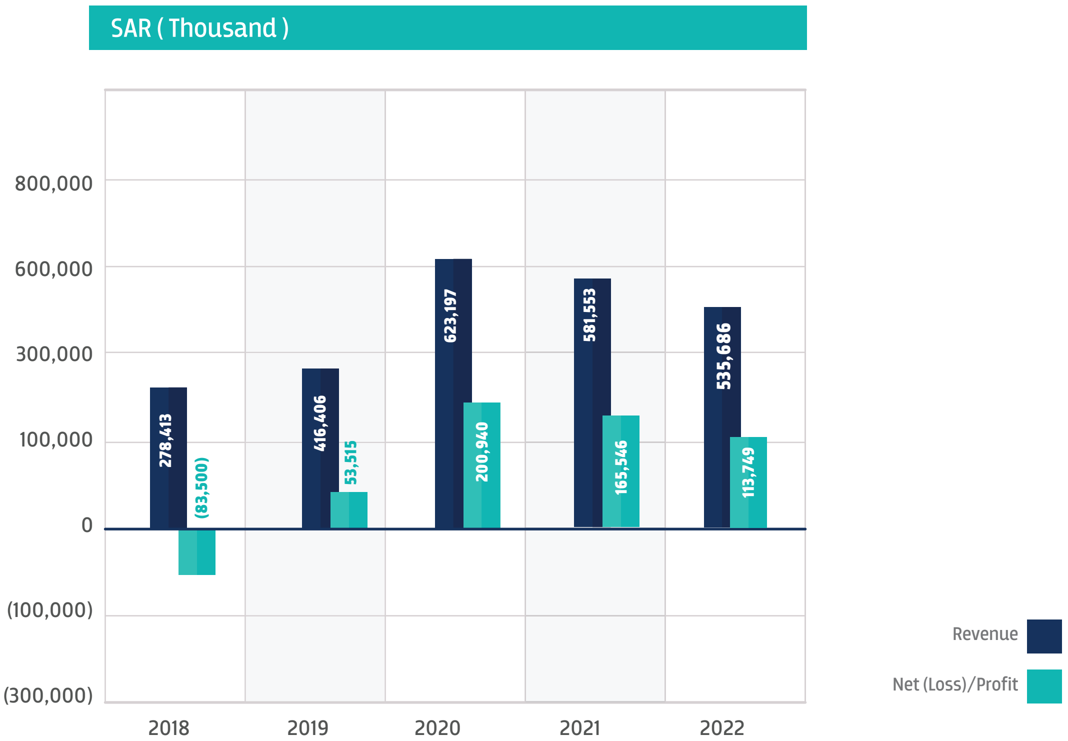


7.2 Financial performance

a. Comparison of the Company›s business results in the last five financial years

	2018	2019	2020	2021	2022
Revenue	278,413	416,406	623,197	581,553	535,686
Cost of Revenue	(292,366)	(297,192)	(373,279)	(351,234)	(363,998)
Gross Profit	(13,953)	119,214	249,918	230,319	171,688
S &D Expense, G&A and Fin Cost	(62,156)	(61,118)	(60,605)	(57,461)	(54,671)
Other Income/ (expenses)	16	1,566	1,294	(1,849)	3,352
Net profit (loss) before zakat	(76,093)	59,662	190,607	171,009	120,369
Zakat	(7,407)	(6,147)	10,333	(5,463)	(6,620)
Net (Loss)/Profit	(83,500)	53,515	200,940	165,546	113,749
Other Comprehensive Income	1,893	(604)	(1,058)	(644)	(1,266)
Total Comprehensive (Loss)/Income	(81,607)	52,911	199,882	164,902	112,483
Net (Loss)Income/share	(0,49)	0,31	1,18	0,97	0,67
Total Comprehensive (Loss)/income/share	(0,48)	0,31	1,18	0,97	0,67

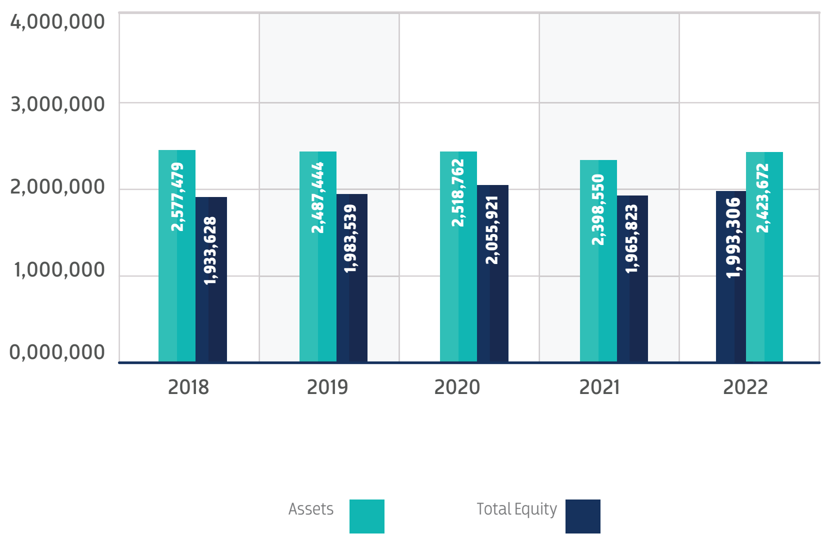
c. The following graph shows the comparison of Company's business results during five years from 2018 to 2022 (per thousand)



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

	2018	2019	2020	2021	2022
Current Assets	439,328	398,304	530,950	422,363	483,072
Non-current Assets	2,138,151	2,089,140	1,987,812	1,967,187	1,940,600
Total Assets	2,577,479	2,487,444	2,518,762	2,389,550	2,423,672
Current Liabilities	128,222	438,197	144,856	153,781	149,364
Non-current Liabilities	515,629	65,708	317,985	269,946	281,002
Total Liabilities	643,851	503,905	462,841	423,727	430,366
Shareholder›s Equity					
Share Capital	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Statutory reserve	103,059	108,411	128,841	145,396	156,771
Retained earnings	130,569	175,128	227,080	120,427	136,535
Total Equity	1,933,628	1,983,539	2,055,921	1,965,823	1,993,306
Total Equity and Liabilities	2,577,479	2,487,444	2,518,762	2,389,550	2,423,672

The following graph shows the development of assets and equity during the five years from 2018 to 2022 (thousands' riyals)



Najran CEMENT NAJRAN CEMENT COMPANY

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

	2022	2021	Variance	Percentage Change
Sales revenue	535,686	581,553	(45,867)	-8%
Cost of revenue	(363,998)	(351,234)	(12,764)	4%
Gorss Profit	171,688	230,319	(58,631)	-25%
Other Income/(expenses)	3,352	-	3,352	-
Operating expenses	(54,671)	(59,310)	(4,639)	-8%
Net profit before Zakat	120,369	171,009	(50,640)	-30%
Zakat income (loss)	(6,620)	(5,463)	(1,157)	21%
Net profit (Loss) after zakat	113,749	165,546	(51,797)	-31%
Other Comprehensive Income (Loss)	(1,266)	(644)	(623)	97%
Total Comprehensive income (loss)	112,483	164,902	(52,420)	-32%

7,3. Geographical analysis of the total revenues of the Company

Company's business was mainly concentrated in the local markets of Southern Region and export to Yemen. Company having cement export permit from Ministry of Commerce and Investment issued under License Nos 72098 dated 27-08-1443H and 4969 dated 15-11-1443H. Cement export to Yemen contributed approx. 11% of total sales during the year 2022.

Geographical Area	2021		2022	
	Revenue (SR '000)	Percentage	Revenue (SR '000)	Percentage
Southern Region	547,820	94%	481,086	89%
Other Regions and Export	33,733	6%	54,600	11%
Total	581,553	100%	535,686	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 (In thousand riyals)

S.No	Name of bank	Principal Amount (SAR)	Balance amount beginning of year	Loan Term	Paid during year	Balance amount	Total loan of the Company
(1)	Al Rajhi Bank*	278,500	-	7 years	-	278,500	278,500

*During 2022, the Group signed a new financing agreement for SR 278.5 million with Al Rajhi Bank to replace existing long-term facilities. The new financing facility will be repaid in seven years over 13 semi-annual instalments starting from May 2023.

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. The Company is committed to apply the highest standards of environmental control in accordance with local and international regulatory standards. Towards this, the Company has installed environmental monitoring systems connected to the Internet in selected locations, which facilitates monitoring, follow-up and ensuring the safety of the environment surrounding its sites.

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 under Company's approved social responsibility policy.

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.

بيان المدفوعات	2022		Details	Reasons
	Paid (SAR)	Amount due till end of financial year but not paid (SAR)		
Zakat	4,850,911	7,904,000	The company is subject to the regulations of the General Authority for Zakat and Income	Unpaid amount includes amount allocated for the year 2022 and will be paid in 2023
VAT	31,360,147	3,255,138	The Company is subject to the regulations of the General Authority for Zakat and Income	Unpaid amount includes amount allocated for the year 2022 and will be paid when due
GOSI	7,040,292	600,571	The Company is subject to the social insurance system	-
Cost of Visa & Passport	2,182,152	-	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.

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 2022 and 2021, the Group's borrowings at variable rate were denominated in SAR. 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.

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 Group 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. The Group is not exposed to any other risks.

b. Credit Risk.

Credit risk is 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 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 the risk where the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial assets quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available. The concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets.

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

To minimize the dependency on third party logistic Companies, the Group has established a fully owned subsidiary Company (Wasl Janub Land Transportation Company) under commercial registration No 5950119264 issued by the Ministry of Commerce. It started commercial operation in October 2021 with a fleet of 50 trucks which helped to reduce the outsourcing of transportation requirements. During 2022, the Company added more trucks in the fleet and reached 100 trucks by end of the year. The Company has plan to increase its business by adding more trucks in the fleet in coming years to meet the internal transportation requirements.

b. Operations

Company having three Clinker production lines with a total capacity of 15,500 tons per day and 4,960,000 tons annually. During 2022, the company operated two production lines and maintained the third line as a reserve to rotate operation between the lines. This resulted into an increase in company›s clinker stock by 71% compared to the same period of the previous year. Expecting further improvement in market demand due to the various development projects of the Government (NEOM, Qiddiya, etc.), the Company will continue to operate three of the two main clinker production lines during 2023. It is worth mentioning that the Company having unutilized portion of clinker production as well as / cement grinding facilities and is ready for operation in case of any sudden surge in market demand.

During 2022, the Company has rehabilitated its Waste Heat Recovery based Power Plant and made fully operational. This Plant will be in operation during 2023 and will cover 25% of total power requirement of the factory with low cost.

c. Saudization Program.

Najran Cement Company realizes the importance of its human resources as its most important asset. The Company gives priority in maintaining and developing its human resources by providing a supportive work environment for learning, creativity and continuous career development. 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. For this, the Company has adopted the methodology of objectives and key performance indicators at the level of departments and employees and linked them to the annual performance appraisal system in order to help them to achieve the goals. The company is also constantly keen to provide administrative and technical training through its annual training plan, which includes technical and administrative programs, specialized workshops and English language courses, which contribute in improving and developing the performance of Saudi employees and upgrade the level of their technical skills.

The company has also adopted the "Your Voice is Heard" within a set of work environment initiatives that aim to improve and develop the internal work environment as the Company is keen to provide an attractive and stimulating work environment aimed at enhancing employee participation and improving their motivation to work. This comes through indicators that contribute to raising the level of transparency in the work environment and in communicating the opinion of employees which reflects positively on their productivity and institutional affiliation to achieve the aspirations and goals of the Company for future.

The Company beliefs in the directions of the wise leadership in achieving Vision 2030. The Company has paid great attention to the localization of jobs as a solid approach to achieve its future plans, as the company continues the journey of success in achieving its goals by maintaining its position in the Saudization program in platinum category under the Nitaqat program. The job sustainability of employees is one of the most important key performance indicators that the Human Resources Department is keen to measure and maintain to ensure the effectiveness and quality of Saudization programs.

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 2022	Second Half 2022	Total for year 2022
Distribution date	19-10-2022	To be announced later	
Percentage of dividend	2.5%	2.5%	5%
Total Dividend	SAR 42.5 million	SAR 42.5 million	SR 85 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. Review and discuss the Board of Directors' report for the fiscal year ended 31 December 2022.

2. Vote on the Auditor's report for the fiscal year ended 31 December 2022.

3. Review and discuss the financial statements for the fiscal year ended 31 December 2022.

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 2022.

5. Vote on the appointment and determining fees of the external auditor for the Company from among the candidates based on recommendation of the Audit Committee to examine, review and audit the Company's financial statements for the second quarter, third quarter and the annual financial statements of fiscal year 2023 and first quarter of fiscal year 2024G (attached).

6. Vote on the Board of Directors 'recommendation to distribute cash dividends for the second half of 2022 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 at the end of trading day on the day of Company's general assembly and who are 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 2022 is 0.5 riyal per share representing 5% of the nominal value of the share with a total amount of 85 million riyals. The date of dividend distribution will be announced later.

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 31-12-2022 G.

8. 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 cement worth SAR 5,800,000 as per customer need with same conditions and prices that Company follows with its other customers.

9. Vote on the business and contracts that concluded between the Company and Yaal Arabya Company for Industry, Commerce and Contracting Ltd. in which member of the Board of Directors, Mr. Ali Hussein Bin Berman Al-Yami has a direct interest in it for sale of cement where the value of business during 2022 amounted to 2,595,000 Riyals according to the prevailing commercial conditions.

10. Vote on delegation of powers to the Board of Directors as stipulated in Paragraph (1) of Article 27 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.

11. Vote on authorizing the Board of Directors to distribute interim dividends to shareholders on semi-annual or quarterly basis for the fiscal year 2023, 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.

12. Vote on the decision of the Board of Directors to appoint Mr. Ziad bin Ibrahim bin Abdullah Al-Jared as a member of the Audit Committee (independent Board member) effective from 17-10-2022 to complete the current session which ends on 08/08/2025, provided that the appointment shall take effect from the date of the resolution issued by the Board of Directors and this appointment comes in accordance with the Audit Committee›s work regulations.

Chairman of Board of Directors
Waleed Abdulrahman Abdullah Al Mousa

Report of the Audit Committee to the Ordinary General Assembly

For the financial year ended 31 December 2022

Dear Shareholders of Najran Cement Company,

The Audit Committee of Najran Cement Company (the "Company") is one of the committees emanated from the Board of Directors (the "Board") which was formed by a resolution of the Extraordinary General Assembly on 17-07-2022. The Committee consists of non-executive members of the Board and members from outside the Board as follows:

1. Mr. Waleed bin Ahmed Bamarouf	- Chairman
2. Mr. Waleed bin Abdul Rahman Al-Mousa	- Member
3. Mr. Abdulelah bin Nasser Al-Harourah	- Member
4. Mr. Nabeih bin Fakhri Al-Jehani	- Member

On 18-08-2022, resignation of Mr. Waleed bin Abdul Rahman Al-Mousa was accepted upon his election as Chairman of the Board of Directors. Mr. Ziad bin Ibrahim bin Abdullah Al-Jared was appointed as a member on 17-10-2022, provided that this appointment is presented to the first meeting of the General Assembly for approval.

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

In accordance with the provisions of Article 104 of the Companies Law, the Audit Committee (the "**Committee")** is pleased to submit to the Shareholders of the Company a report that includes the most important activities carried out during financial year ended 31-12-2022 as follows:

1. Financial Statements and External Auditors:

- Review the proposals for appointment of the external auditor for fiscal year 2022 and select the best among them.
- Approving the recommendation to the Board of Directors and the General Assembly to appoint the external Auditor for the fiscal year 2022.
- Review of external Auditor's plan for the annual review for financial year 2022.
- Review the report of the Audit Committee for the fiscal year 2021 as well as the work plan of the Audit Committee for the year 2023.
- Review the interim financial statements and annual financial statements, discuss them with the company's management and the external auditor, provide necessary opinion, observations and recommendations thereon before presenting them to the Board of Directors.
- Study the accounting policies followed and express opinion and observations thereon to ensure its suitability with the nature of the company's activities and compliance to implementation of the approved international financial standards (IFRS).

- Review and discuss the observations contained in the reports of the external auditor of the company and follow up on actions related to it.
- Review and recommend approval of quarterly and annual financial statements.
- Follow up with the management and ensure compliance to VAT in line with the relevant regulations.
- Review the management letter with the external auditor for the fiscal year ended 31/12/2021.

2. Internal Audit

- Review the work plan of internal auditor (KPMG) for the year 2023.
- Review the periodic report of the internal audit and evaluate the achievements made and developments in following up of the results of the audit work on a quarterly basis.
- Evaluation of management's response to the internal auditor's observations and recommendations.

3. Other Activities

- Approve the Committee's work plan for the next year 2023 which includes time and date of the Committee's meetings for the next year and the proposed topics for each meeting to ensure achieving the objectives of the Committee.
- Review proposed contracts and transactions with related parties and submit recommendations to the Board of Directors.
- Discuss and evaluate the adequacy of the risk management system.

4. Meetings of the Committee for the year 2022

The Committee held four (4) meetings during the fiscal year 2022.

5. Conclusion

Based on the reports of the external and internal auditors presented to the Committee, the Audit Committee does not see any material observations on the Company's business and that the internal control procedures have been prepared on a sound basis and implemented effectively.

Date: 05 March 2023

Waleed bin Ahmed Bamarouf

Chairman of the Audit Committee

الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

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INDEPENDENT AUDITOR'S REPORT

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

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 2022, 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 2022, 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.

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.

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Independent auditor's report to the shareholders of Najran Cement Company (A Saudi Joint Stock Company), Najran - Saudi Arabia (Continued)

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 535.7 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 • Assessed the adequacy of the related disclosures.
Refer to note 6.18 for the accounting policy and note 21 for related disclosures.	

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Independent auditor's report to the shareholders of Najran Cement Company (A Saudi Joint Stock Company), Najran - Saudi Arabia (Continued)

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 ١٩٩٫٣ 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.	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 Net Realizable Value (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 2022 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 2022 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.

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Independent auditor's report to the shareholders of Najran Cement Company (A Saudi Joint Stock Company), Najran - Saudi Arabia (Continued)

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 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.

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Independent auditor's report to the shareholders of Najran Cement Company (A Saudi Joint Stock Company), Najran - Saudi Arabia (Continued)

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

- 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

Jeddah on 12 March 2023 (G)
Corresponding to: 20 Shaban 1444 (H)

Jeddah
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
31 DECEMBER 2022

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BDO الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

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INDEPENDENT AUDITOR'S REPORT

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Najran - Saudi Arabia

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Basis for opinion

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Independent auditor's report to the shareholders of Najran Cement Company (A Saudi Joint Stock Company), Najran - Saudi Arabia (Continued)

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 535.7 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 • Assessed the adequacy of the related disclosures.
Refer to note 6.18 for the accounting policy and note 21 for related disclosures.	

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Independent auditor's report to the shareholders of Najran Cement Company (A Saudi Joint Stock Company), Najran - Saudi Arabia (Continued)

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 ١٩٩,٣ 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.	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 Net Realizable Value (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 2022 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 2022 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.

BDO الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

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Independent auditor's report to the shareholders of Najran Cement Company (A Saudi Joint Stock Company), Najran - Saudi Arabia (Continued)

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 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.

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Independent auditor's report to the shareholders of Najran Cement Company (A Saudi Joint Stock Company), Najran - Saudi Arabia (Continued)

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

- 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

Jeddah on 12 March 2023 (G)
Corresponding to: 20 Shaban 1444 (H)

Jeddah
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	31 December 2022 SR '000	31 December 2021 SR '000
ASSETS			
Non-current assets			
Property, plant and equipment	8	1,936,487	1,963,093
Intangible assets	9	4,113	4,094
		1,940,600	1,967,187
Current assets			
Store, spare parts and loose tools	10	158,548	149,998
Stock in trade	11	207,008	119,327
Trade receivables	12	28,673	28,221
Prepayments and other receivables	13	49,529	42,727
Cash and cash equivalents	14	39,314	82,090
		483,072	422,363
TOTAL ASSETS		2,423,672	2,389,550
EQUITY AND LIABILITIES			
Equity			
Share capital	17	1,700,000	1,700,000
Statutory reserve		156,771	145,396
Retained earnings		136,535	120,427
Total equity		1,993,306	1,965,823
Non-current liabilities			
Provision for employees' benefits	15	40,215	36,849
Non-current portion of lease liability	16	5,133	5,597
Long term borrowing	18	235,654	227,500
		281,002	269,946
Current liabilities			
Provision for zakat	19	7,904	6,134
Current portion of lease liability	16	464	451
Current portion of long-term borrowing	18	44,443	51,515
Contract liability - advances from customers		5,091	5,158
Trade payables		46,420	44,744
Dividend payable	30	1,323	1,118
Accrued and other payables	20	43,719	44,661
		149,364	153,781
Total liabilities		430,366	423,727
TOTAL EQUITY AND LIABILITIES		2,423,672	2,389,550

The accompanying notes from (1) to (32) 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 2022

	Note	2022 SR '000	2021 SR '000
Revenue	21	535,686	581,553
Cost of revenue	22	(363,998)	(351,234)
Gross profit		**171,688**	**230,319**
Selling and distribution expense	23	(7,732)	(14,331)
General and administrative expense	24	(35,580)	(35,046)
Operating profit		**128,376**	**180,942**
Finance costs	25	(11,359)	(8,084)
Other income / (expenses), net	26	3,352	(1,849)
Profit before zakat		**120,369**	**171,009**
Zakat	19	(6,620)	(5,463)
Net profit for the year		**113,749**	**165,546**
Earnings per share			
Earnings per share attributable to the shareholders of the Company:			
Basic and diluted (SR)	27	**0.67**	**0.97**
Weighted average number of shares outstanding:			
Basic and diluted ('000 shares)		170,000	170,000

The accompanying notes from (1) to (32) 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 2022

	Note	2022 SR '000	2021 SR '000
Net profit for the year		113,749	165,546
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	(1,266)	(644)
Other comprehensive loss		**(1,266)**	**(644)**
Total comprehensive income for the year		**112,483**	**164,902**

The accompanying notes from (1) to (32) 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 2022

	Note	Share capital SR '000	Statutory reserve SR '000	Retained earnings SR '000	Total SR '000
As at 1 January 2022		1,700,000	145,396	120,427	1,965,823
Net profit for the year		-	-	113,749	113,749
Other comprehensive loss		-	-	(1,266)	(1,266)
Total comprehensive income for the year		-	-	112,483	112,483
Transferred to statutory reserve		-	11,375	(11,375)	-
Dividend	30	-	-	(85,000)	(85,000)
Balance as at 31 December 2022		**1,700,000**	**156,771**	**136,535**	**1,993,306**
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	30	-	-	(255,000)	(255,000)
Balance as at 31 December 2021		1,700,000	145,396	120,427	1,965,823

The accompanying notes from (1) to (32) 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 2022

	Note	2022 SR '000	2021 SR '000
OPERATING ACTIVITIES			
Profit before zakat		120,369	171,009
Adjustments for non-cash items:			
Depreciation	8	74,224	73,856
Amortization	9	-	26
Loss on disposal of property, plant and equipment		443	28
Expected credit loss	11	176	232
Allowance for slow moving spare parts	10	2,000	-
Finance cost		11,359	8,084
Provision for employees' benefits		4,964	4,395
Operating cash flow before working capital changes		**213,535**	**257,630**
Changes in working capital:			
Trade receivables		(628)	1,903
Store, spare parts and loose tools		(8,542)	(1,469)
Stock in trade		(87,681)	14,389
Prepayments and other receivables		(6,802)	4,053
Contract liability - advances from customers		(67)	(1,309)
Trade payables		1,676	(281)
Accrued and other payables		(942)	13,079
Cash generated from operating activities		**110,549**	**287,995**
Zakat paid	19	(4,850)	(8,050)
Finance costs paid		(10,096)	(7,890)
Employees' benefits paid	15	(2,864)	(1,628)
Net cash generated from operating activities		**92,739**	**270,427**
INVESTING ACTIVITIES			
Additions to property, plant and equipment	8	(50,069)	(27,735)
Additions to intangible asset		(19)	(49)
Additions to capital work in progress	8	-	(25,501)
Net cash used in investing activities		**(50,088)**	**(53,285)**
FINANCING ACTIVITIES			
Proceed from long term borrowing	18	278,500	-
Repayment of long-term borrowing	18	(278,500)	(51,000)
Payment of lease liability		(632)	(632)
Dividend paid		(84,795)	(254,989)
Net cash used in financing activities		**(85,427)**	**(306,621)**
Net change in cash and cash equivalents		**(42,776)**	**(89,479)**
Cash and cash equivalents at the beginning of the year		82,090	171,569
Cash and cash equivalents at the end of the year		**39,314**	**82,090**

Non cash transactions:

Transferred from property, plant and equipment to store, spare parts and loose tools		**2,008**	-

The accompanying notes from (1) to (32) form an integral part of these consolidated financial statements.

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 expired on 1 February 2024. The Company's shares are listed in the Saudi Market (Tadawul) 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 202٠) under Commercial Registration number 5950119264. On 02 Shaaban 1442 (corresponding to 15 March 202١), 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. All figures have been rounded to the nearest thousand unless otherwise indicated.

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 of the Group for the year ended 31 December 2022 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 INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

a. Interpretations and amendments not yet effective

There are a number of 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
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 2022, 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 2021 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
Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2)	The IASB issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from ‘SIGNIFICANT ACCOUNTING POLICIES’ to ‘material accounting policy information’. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. As IFRS Practice Statements are non-mandatory guidance, no mandatory effective date has been specified for the amendments to IFRS Practice Statement 2.	1 January 2023
Definition of Accounting Estimates (Amendment to IAS 8)	The IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates unless resulting from the correction of prior period errors.	1 January 2023

4 INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS (Continued)

b. Interpretations and amendments effective in the current year

The following are the 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 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 2022
Covid-19-Related Rent Concessions beyond 30 June 2022	In March 2022, IASB issued an amendment to IFRS 16 which extended the COVID-19 related rent concessions beyond 30 June 2022. This amendment is applicable from annual reporting period beginning on or after 1 April 2022. Earlier application permitted, including in financial statements not authorized for issue at 31 March 2022	1 April 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
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
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

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.

(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.

5 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (CONTINUED)

5.2 Estimates and assumptions (Continued)

(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 review the residual value annually and adjusting the depreciation expenses in case of change in the assets useful life.

(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. The Group make estimation and expectations relating to quantities of exploited raw material to pay fees against site exploitation is based on such estimates.

(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.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.1 Basis for consolidation (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.

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.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.2 Current versus non-current classification (Continued)

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.

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 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 reducing 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:

	Percentage
Land	Not depreciated
Right of use	Over the contract period
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.

6.5 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.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.6 Intangible assets (Continued)

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.

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 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

6.11 Zakat
Zakat is provided in accordance with the Regulations of the Zakat, Tax and Custom Authority ("ZATCA") in the Kingdom of Saudi Arabia and on accruals basis. The provision is charged to the consolidated statement of profit or loss. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

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 by-laws, the Company 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.

6.25 Settlement date accounting
All regular purchases and sales of financial assets are recognized 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 purchases of financial assets that require delivery of assets within the time frame generally determined by regulation or convention in the market place.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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-money derivatives where the time value offsets the negative intrinsic value (see "Financial liabilities" section for out-of-money derivatives classified as liabilities). They are carried in the statement of financial position at fair value with recognized changes in fair value 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:

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-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.

6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

6.26 Financial instruments (Continued)

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 (Note 21). 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.

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*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
Cost:									
1 January 2022	2,563	7,302	1,163,391	1,922,999	43,014	13,686	4,793	221	3,157,969
Additions	-	-	-	28,204	21,310	482	73	-	50,069
Disposal	-	-	-	(139)	(560)	-	(7)	-	(706)
Transfer	-	-	-	(2,042)	-	-	-	-	(2,042)
31 December 2022	**2,563**	**7,302**	**1,163,391**	**1,949,022**	**63,764**	**14,168**	**4,859**	**221**	**3,205,290**
Accumulated depreciation:									
1 January 2022	-	(1,530)	(372,037)	(785,183)	(22,939)	(9,854)	(3,333)	-	(1,194,876)
Additions	-	(484)	(19,784)	(49,627)	(3,665)	(440)	(224)	-	(74,224)
Disposal	-	-	-	22	240	-	1	-	263
Transfer	-	-	-	34	-	-	-	-	34
31 December 2022	**-**	**(2,014)**	**(391,821)**	**(834,754)**	**(26,364)**	**(10,294)**	**(3,556)**	**-**	**(1,268,803)**
Net book value:									
At 31 December 2022	**2,563**	**5,288**	**771,570**	**1,114,268**	**37,400**	**3,874**	**1,303**	**221**	**1,936,487**

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*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
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**

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 2022 SR'000	*31 December 2021 SR'000*
Cost of revenue (note 22)	73,124	71,416
Selling and distribution expenses (note 23)	347	1,727
General and administrative expenses (note 24)	753	713
Total	**74,224**	**73,856**

8.2 The plants are situated on land leased in Sultana from Ministry of industry and Mineral Resources, for 30 Hijra years commenced on 11 Jumada II 1426H (corresponding to 17 July 2005) and land leased in Akfah from Najran Municipal for 25 Hijra years commenced on 21 Dhu al-Qi`dah 1428H (corresponding to 1 December 2007).

9 INTANGIBLE ASSETS

	31 December 2022 SR'000	*31 December 2021 SR'000*
Cost:		
At 1 January	8,815	8,766
Additions	19	49
Balance at 31 December	**8,834**	**8,815**
Amortization:		
At 1 January	4,721	4,695
Amortization during the year (note 24)	-	26
Balance at 31 December	**4,721**	**4,721**
Net Book Value:		
31 December	**4,113**	**4,094**

10 STORES, SPARE PARTS AND LOOSE TOOLS

	31 December 2022 SR'000	*31 December 2021 SR'000*
Consumables spare parts – not for sale	165,871	155,321
Less: provision for obsolescence	(7,323)	(5,323)
Total	**158,548**	**149,998**

10.1 Movement in the provision for stores, spare parts and loose tools is as follows:

	31 December 2022 SR'000	*31 December 2021 SR'000*
Balance at the beginning	5,323	5,323
Charged during the year	2,000	-
Balance at the end of the year	**7,323**	**5,323**

11 STOCK IN TRADE

	31 December 2022 SR'000	*31 December 2021 SR'000*
Raw materials, fuel and packing materials	33,020	23,002
Fuel in transit	-	46
Work in process	166,292	90,404
Finished goods	7,696	5,875
Total	**207,008**	**119,327**

12 TRADE RECEIVABLES

12.1 Trade receivables

	31 December 2022 SR'000	*31 December 2021 SR'000*
Trade receivables	31,176	30,459
Less: provision for expected credit loss	(1,979)	(1,803)
	29,197	**28,656**
Less: area incentives	(524)	(435)
	28,673	**28,221**

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 2022 SR'000	*31 December 2021 SR'000*
Balance at the beginning	1,803	11,650
Charged during the year	176	232
Reversal written-off	-	(10,079)
Balance at the end of the year	**1,979**	**1,803**

Please refer to Note 31 for additional information about market and credit risk.

13 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2022 SR'000	*31 December 2021 SR'000*
Advances to suppliers	33,316	27,014
Prepaid expenses	9,052	10,217
Refundable custom duties – net	3,852	2,690
Other receivables (*)	3,309	2,806
Total	**49,529**	**42,727**

(*) Other receivables include spares under customs clearance amounting to SR NIL thousand (2021: SR 400 thousand)

14 CASH AND CASH EQUIVALENTS

	Note	***31 December 2022 SR'000***	*31 December 2021 SR'000*
Cash on hand		63	197
Current account at banks	14.1	19,251	21,893
Short term Murabaha deposit	14.2	20,000	60,000
Total		**39,314**	**82,090**

14.1 Cash at bank includes unclaimed dividends of SR 1,107 thousand (2021: SR 1,118 thousand).

14.2 This represents deposits placed with banks for different periods and earn an average rate for return 5.05% per annum.

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 2022 SR'000***	*31 December 2021 SR'000*
Balance at beginning of the year		36,849	33,438
Current service cost		4,022	3,693
Interest cost		942	702
Amount recognised in profit or loss account		**4,964**	4,395
Re-measurement loss recognized in other comprehensive income	15.1	1,266	644
Benefits paid during the year		(2,864)	(1,628)
Balance at the end of the year		**40,215**	**36,849**

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

	31 December 2022 SR'000	*31 December 2021 SR'000*
Impact of changes in financial assumptions	711	(232)
Impact of changes in demographic assumptions	(524)	(33)
Impact of experience adjustments	1,079	909
Total	**1,266**	**644**

15.2 Significant actuarial assumptions:
Below are the significant actuarial assumptions:

Key actuarial assumptions	***31 December 2022***	*31 December 2021*
Discount rate used	4.70%	2.50%
increase in salary for the next two years	4.70%	2.50%
Increase in salary for long term	4.70%	2.30%
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 2022 (SR'000)		*31 December 2021 (SR'000)*	
	Increase	***Decrease***	*Increase*	*Decrease*
Discount rate (0.5% movement)	38,922	41,592	35,364	38,449
Future salary growth (0.5% movement)	41,635	38,870	38,175	35,604

16 LEASES

	31 December 2022 (SR'000)	*31 December 2021 (SR'000)*
Current portion of lease obligations	464	451
Non-current portion of lease obligations	5,133	5,597
Balance at end of year	**5,597**	**6,048**

The lease liabilities are secured by the related underlying assets.

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

As at 31 December 2022	**< 1 year SR'000**	**1-5 year SR'000**	**>5 years SR'000**	**Total SR'000**
Lease payments	632	2,528	3,463	6,623
Less: Interest expense for future	168	529	329	1,026
Net present values	**464**	**1,999**	**3,134**	**5,597**

As at 31 December 2021	< 1 year SR'000	1-5 year SR'000	>5 years SR'000	Total SR'000
Lease payments	632	2,528	4,095	7,255
Less: Interest expense for future periods	181	587	439	1,207
Net present values	**451**	**1,941**	**3,656**	**6,048**

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 2021: 170 million ordinary shares stated at SR 10 per share).

18 LONG TERM BORROWING

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

	31 December 2022 SR'000	*31 December 2021 SR'000*
Principal amount, beginning balance	278,500	329,500
Draw-down during the year	278,500	-
Less: repayments / redemptions during the year	(278,500)	(51,000)
Net principal amount	**278,500**	**278,500**
Accrued mark up for the year	1,597	515
	280,097	**279,015**
Less: Transferred to current liabilities	(44,443)	(51,515)
Balance at the end of the year	**235,654**	**227,500**

18 LONG TERM BORROWING (Continued)

18.1 Tawarruq

During 2022, the Group signed new financing agreement (Tawarruq) for SR 278.5 million with Bank Al Rajhi to replace the outstanding long- term facility which was obtained in 2020 from a local bank. The new Tawarruq facility is repayable in seven years over thirteen equal semi-annual instalments starting from May 2023, and carries financing costs on the basis of the prevailing Saudi interbank rate (SAIBOR) plus a specified profit margin. The amount is secured by a promissory note.

Four multiple purpose facilities aggregating SR 150 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 2022, there has been no non-compliance of loan covenants.

All the above loans are Sharia compliant.

19 ZAKAT STATUS

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

	31 December 2022 SR'000	*31 December 2021 SR'000*
Balance at beginning of the year	6,134	8,721
Provided during the year	6,620	5,463
Paid during the year	(4,850)	(8,050)
Balance at the end of the year	**7,904**	**6,134**

Zakat returns for all the years up to December 31, 2021 have been filed by the group. Zakat assessments have been finalized with Zakat,Tax and Customs Authority (ZATCA) for the years 2006 to 2011 and 2014 to 2020.

20 ACCRUED AND OTHER PAYABLES

	31 December 2022 SR'000	*31 December 2021 SR'000*
Raw material royalties payable	25,196	15,631
Other payables	8,561	21,132
Accrued expenses	9,962	7,898
	43,719	**44,661**

21 REVENUE, NET

21.1 Disaggregated revenue information

	31 December 2022 SR'000	*31 December 2021 SR'000*
Product type		
Cement	535,686	581,553
Total revenue	**535,686**	**581,553**
Customer type		
Corporate customers	535,686	581,553
Total revenue	**535,686**	**581,553**
Geographical markets		
Local	483,349	548,275
Export	52,337	33,278
Total revenue	**535,686**	**581,553**

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 30 to 90 days from delivery.

22 COST OF REVENUE

	Note	***31 December 2022 SR'000***	*31 December 2021 SR'000*
Materials consumed		136,285	79,075
Salaries, wages and related benefits	22.1	84,364	71,193
Fuel and power		74,544	62,654
Repairs and maintenance		43,217	28,238
Operation and management expenses		25,750	17,340
Depreciation	8.1	73,124	71,416
Other manufacturing expenses		3,490	7,530
Provision for slow moving spare parts		2,000	-
		442,774	**337,446**
Work in progress and finished goods – opining		97,272	111,060
Work in progress and finished goods – ending		(176,048)	(97,272)
Cost of revenue		**363,998**	**351,234**

22.1 Salaries, wages and benefits include provision for employees' benefits amounting to SR 2.9 million (2021: SR 2.4 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 11.26 million (2021: SR 23.3 million).

23 SELLING AND DISTRIBUTION EXPENSES

	Note	***31 December 2022 SR'000***	*31 December 2021 SR'000*
Salaries, wages and related benefits	23.1	5,559	6,801
Depreciation	8.1	347	1,727
Cement transportation		-	2,610
Impairment loss on trade receivables		176	232
Travel expenses		538	1,710
Export expenses		867	547
Others		245	704
		7,732	**14,331**

23.1 Salaries, wages and benefits include provision for employees' benefits amounting to SR 269 thousand (2021: SR 303 thousand).

24 GENERAL AND ADMINISTRATIVE EXPENSES

	Note	***31 December 2022 SR'000***	*31 December 2021 SR'000*
Salaries, wages and related benefits	24.1	22,777	21,663
Maintenance expenses		1,653	1,184
Board of directors renumerations	29	4,420	4,862
Legal and professional services		1,404	2,003
Depreciation and amortization	8.1 / 9	753	739
Regulatory fees		793	776
Travel expenses		540	313
Donations		591	587
Information technology		279	416
Bank charges		145	118
Others		2,225	2,385
		35,580	**35,046**

24.1 Salaries, wages and benefits include employees' benefits amounting to SR 1,020 thousand (2021: SR 934 thousand).

25 Finance cost

	31 December 2022 SR'000	*31 December 2021 SR'000*
Finance cost related to employees' benefits	942	702
Finance cost related to lease liability	182	194
Finance cost related to borrowings	10,235	7,188
	11,359	**8,084**

26 Other income (expenses), net

	31 December 2022 SR'000	*31 December 2021 SR'000*
Reverse of accounts receivable allowance	-	5,960
Murabaha income	473	1,333
Scrap sales	1,387	-
Other – net	1,492	858
Provision for fines and penalties	-	(10,000)
	3,352	**(1,849)**

27 EARNINGS PER SHARE

The table below reflects the details of the net profit for the year and the number of shares used in calculating basic and diluted earnings per share:

	31 December 2022	*31 December 2021*
Profit for the year attributable to ordinary equity holders of the Parent Company (SR' 000)	113,749	165,546
Weighted average number of outstanding ordinary shares (000' shares)	170,000	170,000
Basic and diluted earnings per share attributable to shares holders of the Parent Company (Saudi Riyals)	0.67	0.97

28 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 472 thousand at 31 December 2022 (31 December 2021: SR 400 thousand).

29 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 2022:

	Transactions during the year		***Advances from related parties***	
	2022 SR'000	*2021 SR'000*	***2022 SR'000***	*2021 SR'000*
Yaal Alarabeya Company (Sales)	2,595	165	1	1
			1	1

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 during the year ended 31 December 2022 amounting to SR 4,420 thousand and (31 December 2021: SR 4,862 thousand).

Key management personnel compensation comprised the following:

	31 December 2022	*31 December 2021*
	SR'000	*SR'000*
Short term employee benefits	**10,399**	10,247
Post-employment benefits	**195**	316
	10,594	10,563

30 DIVIDENDS

• The Board of Directors of the Company, in its meeting held on 2 October 2022 (corresponding to 6 Rabi ul Awwal 1444H), decided an interim dividend of SR 42.5 million (SR 0.25 per share) that was paid on 19 October 2022 (corresponding to 23 Rabi ul Awwal 1444H).

• The shareholders of the Company, in Annual General Assembly meeting held on 13 April 2022 (corresponding to 12 Ramadan 1443H), approved a dividend of SR 42.5 million (SR 0.25 per share) that was paid on 24 April 2022 (corresponding to 23 Ramadan 1443H).

• The Board of Directors of the Company, in its meeting held on 22 September 2021 (corresponding to 15 Safar 1443H), recommended an interim 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).

31 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.

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
e) Lease liability

Financial instruments by category (amortized cost)

	31 December 2022 (SR'000)	*31 December 2021 (SR'000)*
Financial assets		
Trade receivables	28,673	28,221
Cash and cash equivalents	39,314	82,090
Total	**67,987**	**110,311**

	31 December 2022 (SR'000)	*31 December 2021 (SR'000)*
Financial liabilities		
Long term financing	280,097	279,015
Lease liability	5,597	6,048
Trade payables	46,420	44,744
Dividend payable	1,323	1,118
Accrued and other payables	33,757	36,763
Total	**367,194**	**367,688**

31 FINANCIAL INSTRUMENTS (Continued)

The Group is exposed through its operations to the following financial risks:
• Market risk
• Credit risk; and
• Liquidity risk

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
Interest rate risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market interest 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 interest rate risk on its borrowings.

During 2022 and 2021, 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.

Variable rate instruments	***31 December 2022 (SR'000)***	*31 December 2021 (SR'000)*
Loans	**280,097**	**279,015**

The table below reflects the possible change of 100 basis points in interest rates at the reporting date on profit or loss assuming all other variables are remain constant.

	Profit / (loss) 2022		Profit / (loss) 2021	
	Decrease in basis points of related commission rates	Increase in basis points of related to commission rates	Decrease in basis points of related commission rates	Increase in basis points of related to commission rates
	100 bps	***100 bps***	***100 bps***	***100 bps***
	(SR'000)	***(SR'000)***	***(SR'000)***	***(SR'000)***
Loans	**2,800**	**(2,800)**	**2,790**	**(2,790)**

(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.

31. FINANCIAL INSTRUMENTS (Continued)

(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:

	31 December 2022 (SR'000)	*31 December 2021 (SR'000)*
Trade receivables	28,673	28,221
Prepayments and other receivables	49,529	42,727
Cash and cash equivalents	39,314	82,090
Total	**117,516**	**153,038**

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.

Aging of trade receivables as of 31 December is as follows:

	31 December 2022 (SR'000)	*31 December 2021 (SR'000)*
Not due yet	22,170	23,179
1-90 days	7,027	5,249
91-180 days	-	-
181-360 days	-	-
Over 360 days	1,979	2,031
Total	**31,176**	30,459

Trade receivable amounting to SR 29,194 thousand (2021: SR 28,425 thousand) are collateral with promissory notes and bank guarantees.

Impairment of trade receivables as of 31 December is as follows:

	31 December 2022 (SR'000)	*31 December 2021 (SR'000)*
More than 360 days	**1,979**	**1,803**

31. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial assets quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available. The concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets.

The following is the contractual maturities for financial liabilities at the end of the period and represented by growth amounts:

	Undiscounted contractual cash flows			
	31 December 2022			
	1 year or less	*1 year to 3 years*	*3 years or more*	*Total*
	SR '000	*SR '000*	*SR '000*	*SR '000*
Non-derivative financial liabilities:				
Long term financing	44,443	85,692	149,962	280,097
Lease liability	464	1,559	3,574	5,597
Trade payables	46,420	-	-	46,420
Accrued and other payables	33,757	-	-	33,757
	125,084	**87,251**	**153,536**	**365,871**

	Undiscounted contractual cash flows			
	31 December 2021			
	1 year or less	*1 year to 3 years*	*3 years or more*	*Total*
	SR '000	*SR '000*	*SR '000*	*SR '000*
Non-derivative financial liabilities:				
Long term financing	51,515	**102,000**	**125,500**	**279,015**
Lease liability	451	**1,587**	**4,010**	6,048
Trade payables	44,744	**-**	**-**	44,744
Accrued and other payables	36,763	-	-	36,763
	133,473	**103,587**	**129,510**	**366,570**

Capital management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders. and to maintain a strong capital base to support the sustained development of its businesses

The Group net debt to equity ratio was as follows:

	31 December 2022 (SR'000)	*31 December 2021 (SR'000)*
Total liabilities	430,366	423,727
Less: Cash and cash equivalents	(39,314)	(82,090)
Net liabilities	391,052	341,637
Total equity	1,993,306	1,965,823
Net liabilities to equity	**0.20**	0.17

31. FINANCIAL INSTRUMENTS (Continued)

31.1 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 2022						
	Carrying amount			*Fair value*			
	Fair value	*Amortized cost*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
	SR '000	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*
Financial assets:							
Trade receivables	-	28,673	28,673	-	-	-	-
Cash and cash equivalents	-	39,314	39,314	-	-	-	-
	-	**67,987**	**67,987**	-	-	-	-
Financial liabilities:							
Long term financing	-	280,097	280,097	-	-	-	-
Lease liability	-	5,597	5,597	-	-	-	-
Trade payables	-	46,420	46,420	-	-	-	-
Accrued and other payables	-	33,757	33,757	-	-	-	-
	-	**365,871**	**365,871**	-	-	-	-

	31 December 2021						
	Carrying amount			*Fair value*			
	Fair value	*Amortized cost*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
	SR '000	*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	-	-	-	-
	-	**110,311**	**110,311**	-	-	-	-
Financial liabilities:							
Long term financing	-	279,015	279,015	-	-	-	-
Lease liability		6,048	6,048				
Trade payables	-	44,744	44,744	-	-	-	-
Accrued and other payables	-	36,763	36,763	-	-	-	-
	-	**366,570**	**366,570**	-	-	-	-

32 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by the Company's Board of Directors on 05 March 2023 (corresponding to 13 Shaban 1444H)

Vote on the recommendation of the Board of Directors to distribute cash dividends to shareholders for the second half of 2022 at the rate of 0.25 riyals per share, which represents 2.5% of the nominal value of the share with a total amount of 42.5 million riyals, provided that the eligibility will be for the shareholders who own the shares at the end of trading on the day of general assembly and who are registered in the company's shareholders register at the Securities Depository Center (Edaa) at the end of the second trading day following the maturity date. The date of dividend distribution will be announced later. The total dividends distributed and proposed to be distributed for the year 2022 is 0.5 riyals per share, which represents 5% of the nominal value of the share with a total of 85 million riyals (attached).

Statement	Dividend distributed for the first half 2022	Dividend recommended for the second half 2022	Total dividend
Distribution date	19-10-2022	To be announced later	
Percentage	2.5%	2.5%	5%
Total	SAR 42.5 million	SAR 42.5 million	SAR 85 million

الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

Head office: Moon Tower - B Floor
P.O. Box 8736, Riyadh 11492
Unified Number: 92 002 4254
Fax: +966 11 278 2883

Independent Limited Assurance Report on Related Parties Transactions

To the shareholders of Najran Cement Company
(A Saudi Joint Stock Company)
Najran, Kingdom of Saudi Arabia

Introduction

We are engaged with **Najran Cement Company (a Saudi Joint Stock company) "the Company"** to provide a limited assurance on the declarations provided by the Chairman of the Company for the year ended 31 December 2022.

Scope

Review the declaration provided by the Chairman to be presented to the Shareholders of **Najran Cement Company "the Company"** in the general assembly meeting, which will disclose the direct and indirect personal interest of the Company's Board of Directors members in accordance with the requirements of Article (71) of the Companies Law.

Responsibility of the Company's Management

Company's management is responsible for preparing the declarations in accordance with Article (71) of the Companies Law in the Kingdom of Saudi Arabia and Article (27) of the Corporate Governance Regulations issued by the Capital Market Authority and submitting the declarations to us with all information and notes requested.

Quality Control, Commitment to Independence and Other Ethical Requirements

The office applies International Standard On Quality Control (ISQC) 1, "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control system including documented policies and procedures regarding compliance with ethical requirements professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements in the Code of Conduct and Ethics for Professional Accountants issued by Saudi Organization for Chartered and Professional Accountants, which is founded on the basic principles of integrity, objectivity, professionalism, due diligence, confidentiality and professional conduct.

الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

Head office: Moon Tower - 8 Floor
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Our Responsibilities

Our responsibility is to express a limited assurance on the above-mentioned declarations based on the procedures we have performed in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information"

The procedures performed in a limited assurance engagement are different in nature and timing, and are less in extent than a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we reasonable assurance engagement been performed.

Our report is solely for the purpose set forth above and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the items set forth above, and does not extend to any financial statements of Najran Cement Company, taken as a whole.

Summary of the procedures performed

The procedures performed are summarized in verifying the accuracy, of the information provided that the amounts of transactions and contracts with parties in which has a direct or indirect interest, matched with the declarations provided by the Chairman.

Conclusion

Based on the limited assurance we have performed and the evidence obtained, and with the exception of what was stated in the notification submitted by the Chairman of Najran Cement Company, nothing has come to our attention that there is direct and indirect personal interest of the Company's Board of Directors members in the business and contracts during the year ended 31 December 2022 except what has been disclosed in the financial statements during the year ended 31 December 2022.

BDO Dr. Mohamed Al-Amri & Co.

Maher Al-Khatieb
Certified Public Accountant
Registration no. 514

21/08/1444(H)
13/03/2023(G)

To the Shareholders of Najran Cement Company,

Based on Article 27 of the Companies Law, the Chairman of the Board of Directors shall disclose to the Ordinary General Assembly, when it convenes, about the transactions and contracts in which a member of the Board of Directors has a direct or indirect interest.

Therefore, the Board of Directors would like to inform the respected Assembly that the members of the Board of Directors who have a direct or indirect interest in the transactions and contracts that are made for the account of the Company are as follows:

Mr. Ali bin Hussein bin Berman Al Yami Member of the Board of Directors	• He is a member of the Board of Directors and one of the partners of Yaal Arabia Company for Industry, Commerce and Contracting Ltd and owns 50% share in the Company. He is the authorized manager with full powers in the commercial registry. • Details of the works that will be carried out between Najran Cement Company and the Yaal Arabia Company for Industry, Commerce and Contracting Ltd are as follows: • Dealing with sale of cement and licensing it for the year 2023, on the same conditions and price that the Company follows with other customers, according to the customer's need. • The value of the business during the year 2022 amounted to 2,595,000 riyals. • The total amount of dealings during the year 2023 is expected to reach a maximum of 5,800,000 Saudi riyals.

Please accept my sincere greetings and appreciation.

Members of the Board of Directors

Ziad Bin Ibrahim Al Jared
Board member

Dr. Ahmed bin Siraj Khogeer
Board member

Abdulsalam Aldraibi
Board member

Majid Bin Ali Bin Musallam
Board member

Ali Bin Hussain Barman Alyami
Board member

Waleed Bin Ahmed Bamarouf
Board member

Waleed Abdulrahman Almousa
Chairman of the Board of Directors

Fahad A. Al Rajhi
Vice Chairman of the Board of Directors

Abdulhadi Bin Hadi Al Dohan
Board member

ZIYAD ALJARED

GENERAL MANAGER

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Date of birth
Sep 10, 1983

Nationality
SAUDI

Languages

ARABIC

ENGLISH

Experience

Jeddah
2017 - Present

Board Member
Abdullah AlJared Co, Ltd

JEDDAH
Jul 2011 - Present

General Manager
Ibrahim AlJared Est

RIYADH
2008 - 2016

GENERAL MANAGER
DAMA ALARABIA EST

RIYADH
Oct 2010 - Mar 2011

ACTING MANAGER
SABIC - Liquid Marine Transportation

RIYADH
2009 - 2011

EXECUTIVE SHIPPING REPRESNTATIVE
SABIC - Liquid Marine Transportation

RIYADH - DAMMAM - JUBAIL
Nov 2007 - Dec 2010

MEMBER
SABIC - SAFCO LOGISTIC COMMITEE

RIYADH
Mar 2008 - Mar 2008

REPRESNTATIVE
SABIC - TIME CHARTER

Representative SABIC - TIME CHARTER DEPT- on board Camberly LPG vessel-
Saild from Arabian Gulf to India.

RIYADH
2006 - 2008

EXECUTIVE SHIPPING REPRESNTATIVE
SABIC -TIME CHARTER DEPT

Managing SABIC fleet of ships, Chemical Tanker & Liquid Petroleum Gas vessels.

RIYADH
Jul 2006 - May 2007

REPRESNTATIVE
SABIC -TIME CHARTER DEPT

Representative of SABIC's Time charter dept. in redelivering 2 ships to the owners.
and delivering 6 new vessels to SABIC.

Education

Jeddah
2001 - 2005

B.A in Business Administration - Marketing
King AbdulAziz University