

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

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REVIEW REPORT**

**FOR THE THREE-MONTH AND SIX-MONTH PERIODS
ENDED 30 JUNE 2023**

Najran Cement Company
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT

For the three-month and six-month periods ended 30 June 2023

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

Introduction

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

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statement consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed unmodified opinion on those consolidated financial statements on 20 Shaban 1444H (corresponding to 12 March 2023G). Further, the interim condensed consolidated financial statements of the Group for the three month and six-month periods ended 30 June 2022 were reviewed by the same another auditor who expressed unmodified conclusion on those interim condensed consolidated financial statements on 5 Muharram 1444H (corresponding to 3 August 2022G).

for Ernst & Young Professional Services



Abdullah Ali AlMakrami
Certified Public Accountant
License No. (476)




Jeddah: 16 Muharram 1445H
03 August 2023G

Najran Cement Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION

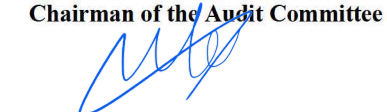
As at 30 June 2023

	Note	30 June 2023 (Unaudited) SR '000	31 December 2022 (Audited) SR '000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	1,973,038	1,936,487
Intangible assets		4,604	4,113
TOTAL NON-CURRENT ASSETS		1,977,642	1,940,600
CURRENT ASSETS			
Store, spare parts and loose tools	8	158,702	158,548
Stock in trade	9	242,118	207,008
Trade receivables	10	22,309	28,673
Prepayments and other receivables		42,051	49,529
Cash and cash equivalents		10,987	39,314
TOTAL CURRENT ASSETS		476,167	483,072
TOTAL ASSETS		2,453,809	2,423,672
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	1,700,000	1,700,000
Statutory reserve		156,771	156,771
Retained earnings		130,379	136,535
TOTAL EQUITY		1,987,150	1,993,306
NON-CURRENT LIABILITIES			
Provision for employees' benefits		43,417	40,215
Non-current portion of lease liability		5,049	5,133
Long term financing	12	277,254	235,654
TOTAL NON-CURRENT LIABILITIES		325,720	281,002
CURRENT LIABILITIES			
Zakat payable	13	5,954	7,904
Current portion of lease liability		632	464
Current portion of long-term financing	12	45,113	44,443
Short term loans	12	20,000	-
Contract liability - advances from customers		4,733	5,091
Trade payables		38,186	46,420
Dividends payable		1,454	1,323
Accrued and other current liabilities		24,867	43,719
TOTAL CURRENT LIABILITIES		140,939	149,364
TOTAL LIABILITIES		466,659	430,366
TOTAL EQUITY AND LIABILITIES		2,453,809	2,423,672

CFO

Rami Jawad Abu Jneid

Board of Directors member and
CEO

Mr. Abdulsalam Abdullah Aldraibi

Commissioned Board Member and
Chairman of the Audit Committee

Mr. Waleed Ahmed Bamarouf

The attached notes from 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Najran Cement Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three-month and six-month periods ended 30 June 2023

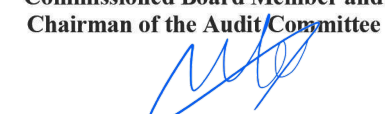
		<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	<i>Note</i>	2023 (Unaudited) SR '000	2022 (Unaudited) SR '000	2023 (Unaudited) SR '000	2022 (Unaudited) SR '000
Sales	14	101,298	108,051	244,980	247,916
Cost of sales		(75,837)	(77,249)	(174,201)	(178,804)
GROSS PROFIT		25,461	30,802	70,779	69,112
Selling and distribution expense		(2,245)	(5,141)	(4,311)	(9,859)
General and administrative expense		(9,293)	(8,956)	(17,331)	(16,421)
OPERATING PROFIT		13,923	16,705	49,137	42,832
Finance costs		(5,571)	(2,117)	(10,468)	(3,834)
Other income		1,050	199	1,751	1,105
PROFIT FOR THE PERIOD BEFORE ZAKAT		9,402	14,787	40,420	40,103
Zakat	13	(2,038)	(1,529)	(4,076)	(3,560)
NET PROFIT FOR THE PERIOD		7,364	13,258	36,344	36,543
EARNINGS PER SHARE					
Basic and diluted earnings per share attributable to equity holders of the Company (SR)	15	0.04	0.08	0.21	0.21

CFO

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Najran Cement Company
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME

For the three-month and six-month periods ended 30 June 2023

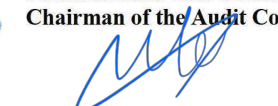
	<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	2023 <i>(Unaudited)</i> SR '000	2022 <i>(Unaudited)</i> SR '000	2023 <i>(Unaudited)</i> SR '000	2022 <i>(Unaudited)</i> SR '000
NET PROFIT FOR THE PERIOD	7,364	13,258	36,344	36,543
OTHER COMPREHENSIVE INCOME ("OCI")				
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,364	13,258	36,344	36,543

CFO

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Najran Cement Company
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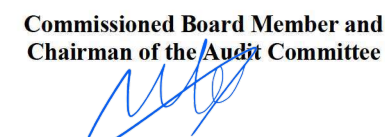
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN
EQUITY

For the six-month period ended 30 June 2023

		<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Total Equity</i>
	<i>Notes</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
As 1 January 2023		1,700,000	156,771	136,535	1,993,306
Net profit for the period		-	-	36,344	36,344
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	36,344	36,344
Cash dividends	17	-	-	(42,500)	(42,500)
Balance as at 30 June 2023 (Unaudited)		1,700,000	156,771	130,379	1,987,150
As 1 January 2022		1,700,000	145,396	120,427	1,965,823
Net profit for the period		-	-	36,543	36,543
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	36,543	36,543
Cash dividends	17	-	-	(42,500)	(42,500)
Balance as at 30 June 2022 (Unaudited)		1,700,000	145,396	114,470	1,959,866


CFO
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Najran Cement Company
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

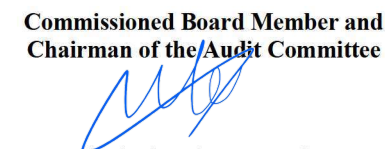
For the six-month period ended 30 June 2023

		<i>For the six-month period ended 30 June</i>	
		2023 (Unaudited) SR '000	2022 (Unaudited) SR '000
	<i>Note</i>		
OPERATING ACTIVITIES			
Profit for the period before zakat		40,420	40,103
<i>Adjustments to reconcile income before zakat to net cash flows:</i>			
Depreciation on property plant and equipment	7	37,656	36,483
Loss on write off of property plant and equipment		131	7
Write off Provision for doubtful debt		0	(50)
Finance cost		10,468	3,834
Unwinding of discount on lease liabilities		(84)	-
Provision for employees' benefits		3,871	3,857
<i>Working capital adjustments</i>		92,462	84,234
Trade receivables		6,617	2,584
Store, spare parts and loose tools		(154)	(2,211)
Stock in trade		(35,110)	(37,753)
Prepayments and other receivables		10,054	13,679
Contract liability - advances from customers		(358)	996
Trade payables		(7,804)	(1,955)
Accrued and other payables		(22,028)	(24,537)
Net cash generated from operations		43,679	35,037
Zakat paid		(6,026)	(4,850)
Finance costs paid		(9,713)	(3,279)
End of service benefits paid		(670)	(1,720)
Net cash from operating activities		27,270	25,188
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(74,337)	(24,319)
Purchase of intangible assets		(491)	(19)
Cash used in investing activities		(74,828)	(24,338)
FINANCING ACTIVITIES			
Proceeds from long-term loans		83,023	278,500
Payment of long-term loan		(21,423)	(278,500)
Payment of lease liability		-	(300)
Dividends paid		(42,369)	(42,387)
Net cash from/ (used in) financing activities		19,231	(42,687)
NET DECREASE IN CASH AND BANK BALANCES		(28,327)	(41,837)
Cash and cash equivalents at the beginning of the period		39,314	82,090
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		10,987	40,253
Non-cash transaction			
Transfer of property, plant and equipment to Store, spare parts and loose tools		-	2,008

CFO

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Board of Directors member and CEO

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The attached notes from 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Najran Cement Company
(A Saudi Joint Stock Company)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at 30 June 2023 (Unaudited)

1 CORPORATE INFORMATION

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

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

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

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

The principal activity of the subsidiary company is land transport of goods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022. In addition, results of the interim period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

2.2 Basis of measurement

These interim condensed consolidated financial statements are prepared under the historical cost convention using the accrual basis of accounting and going concern concept, except for the following items which are measured as follows:

Items	Measurement basis
Employee defined benefit liabilities	Present value of the defined benefit obligation using projected credit unit method

2.3 Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals (SR), which is also the Group's functional and presentation currency.

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The significant judgments made by management in applying the Group's accounting policies and the methods of computation and the key sources of estimation are the same as those that applied to the financial statements for the year ended 31 December 2022.

Najran Cement Company
(A Saudi Joint Stock Company)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

As at 30 June 2023 (Unaudited)

3 BASIS OF CONSOLIDATION

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

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

The Group reassesses whether it has control over the investee if facts and circumstances indicate that there have been changes in one of the above-mentioned elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of an acquired or disposed of subsidiary during the period are included in the consolidated financial statements from the date the Group gains control until the date the control ceases.

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

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

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

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

Eliminated transactions

Intra-group balances and transactions, as well as any unrealized gains or losses resulting from internal transactions between the Group's companies, are completely eliminated when preparing these consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but to the extent that there is no evidence of impairment.

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

As at 30 June 2023 (Unaudited)

**4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP
(continued)**

IFRS 17 Insurance Contracts

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

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

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

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

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

Definition of Accounting Estimates - Amendments to IAS 8

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

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

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

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

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

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Najran Cement Company
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

As at 30 June 2023 (Unaudited)

**4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP
(continued)**

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

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

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

These amendments do not have any impact on the Group.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

6 SEGMENTAL REPORTING

The Group is engaged in one operating segment, i.e., manufacturing cement and operates in entirely from the Kingdom of Saudi Arabia and certain foreign jurisdictions. Accordingly, the financial information was not divided onto different geographic or business segments. Further, significant amount of liabilities of the Group are payable in Saudi Arabia.

7 PROPERTY, PLANT AND EQUIPMENT

A- For purpose of preparing the interim condensed consolidated statement of cash flows, movement in property, plant and equipment during the six-month period ended 30 June is as follows:

	<i>30 June 2023 (Unaudited) SR '000</i>	<i>30 June 2022 (Unaudited) SR '000</i>
Depreciation	37,656	36,483
Additions to property, plant and equipment	74,337	24,319

Najran Cement Company
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

As at 30 June 2023 (Unaudited)

8 STORES, SPARE PARTS AND LOOSE TOOLS

	30 June 2023 (Unaudited) SR '000	31 December 2022 (Audited) SR '000
Consumables spare parts - not for sale	166,025	165,871
Less: provision for slow moving items	(7,323)	(7,323)
Total	158,702	158,548

9 STOCK IN TRADE

	30 June 2023 (Unaudited) SR '000	31 December 2022 (Audited) SR '000
Raw materials, fuel and packing materials	30,549	33,020
Finished goods	8,075	7,696
Work in process	203,494	166,292
Total	242,118	207,008

10 TRADE RECEIVABLES

10.1 Trade Receivables

	30 June 2023 (Unaudited) SR '000	31 December 2022 (Audited) SR '000
Trade receivables	24,559	31,176
Less: provision for expected credit loss	(1,979)	(1,979)
	22,580	29,197
Less: area incentives	(271)	(524)
	22,309	28,673

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

Najran Cement Company
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

As at 30 June 2023 (Unaudited)

10 TRADE RECEIVABLES (continued)

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

	30 June 2023 (Unaudited) SR '000	31 December 2022 (Audited) SR '000
Balance at the beginning of the period / year	1,979	1,803
Charge during the period / year	-	176
Balance at the end of the period / year	1,979	1,979

Outstanding customer receivables are regularly monitored and any sales to major customers are generally covered by bank guarantees and promissory notes. The largest customer comprises of 57% (31 December 2022: 68%) of the total outstanding trade receivable balance.

11 SHARE CAPITAL

The authorized share capital of the Group comprised 170 million ordinary shares stated at SR 10 per share. All shares are issued and fully paid. (31 December 2022: 170 million ordinary shares stated at SR 10 per share).

12 LOANS

12.1 Long & short terms borrowings

Long & short terms borrowing from commercial banks is presented as follows:

	30 June 2023 (Unaudited) SR '000	31 December 2022 (Audited) SR '000
Principal amount, beginning balance	278,500	278,500
Addition during the period / year (Note 12.2)	83,023	278,500
Less: repayments /redemptions during the period / year	(21,423)	(278,500)
Net principal amount	340,100	278,500
Accrued mark up for the period / year	2,267	1,597
	342,367	280,097
Less: Current portion	(45,113)	(44,443)
Less: Short term loans	(20,000)	-
Balance at the end of the period / year	277,254	235,654

12.2 Tawarruq

During the year 2022, the Group signed new banking facilities 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.

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As at 30 June 2023 (Unaudited)

12 LOANS (continued)

12.2 Tawarruq (continued)

During the current period, the Group utilized SR 20 million out of SR 150 million for the general purposes of the company.

During the year 2023, the Group subsidiary signed new banking facilities agreement (Tawarruq) for SR 85 million with Bank Al Rajhi. The new Tawarruq facility is repayable in six years over twelve equal semi-annual instalments starting from April 2024 and carries financing costs on the basis of the prevailing Saudi interbank rate (SAIBOR) plus a specified profit margin. The amount is secured by some of the subsidiary's vehicles and promissory note. During the period the Group subsidiary used SR 63 million long term loans through four batches to finance its capital expenditures.

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

12.3 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 period ended 30 June 2023, there has been no non-compliance of loan covenants. The above loan is Sharia compliant.

13 ZAKAT

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

	30 June 2023 (Unaudited) SR '000	31 December 2022 (Audited) SR '000
Balance at beginning of the period / year	7,904	6,134
Provided during the period / year	4,076	6,620
Paid during the period / year	(6,026)	(4,850)
Balance at the end of the period / year	5,954	7,904

Zakat for the period ended 30 June 2023 is calculated based on the management's estimate.

The Group submitted its zakat returns to the Zakat, Tax and Customs Authority (ZATCA) for the years up to 31 December 2022, and the Group paid the liabilities for these years based on the zakat returns. The final assessment was obtained for the years from 2006 to 2011 as well as for the years from 2014 to 2020.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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As at 30 June 2023 (Unaudited)

14 Sales

14.1 Disaggregated Sales information

	<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	<i>2023 (Unaudited) SR '000</i>	<i>2022 (Unaudited) SR '000</i>	<i>2023 (Unaudited) SR '000</i>	<i>2022 (Unaudited) SR '000</i>
Product type				
Cement	101,298	108,051	244,980	247,916
Total sales	101,298	108,051	244,980	247,916
Customer type				
Corporate customers	101,298	108,051	244,980	247,916
Total sales	101,298	108,051	244,980	247,916
Geographical markets				
Local	89,853	98,044	215,329	230,095
Export	11,445	10,007	29,651	17,821
Total sales	101,298	108,051	244,980	247,916

14.2 Performance obligations - point in time

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

15 EARNINGS PER SHARE

The Group presents basic and diluted earnings per share for its ordinary shares. Basic is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	<i>2023 (Unaudited)</i>	<i>2022 (Unaudited)</i>	<i>2023 (Unaudited)</i>	<i>2022 (Unaudited)</i>
Profit for the period attributable to the shareholders of the Company (in SR '000)	7,364	13,258	36,344	36,543
Weighted average number of ordinary shares for the purposes of basic and diluted earnings Basic ('000 shares)	170,000	170,000	170,000	170,000
Basic and diluted profit per share based on profit for the period attributable to shareholders of the Company (in SR)	0.04	0.08	0.21	0.21

Najran Cement Company
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

As at 30 June 2023 (Unaudited)

16 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 1,176 at 30 June 2023 (31 December 2022: SR 472 thousand).

17 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, Board of Directors, the Group key management personnel and enterprises managed or significantly influenced by those parties. The following are the details of major-related parties' transactions during the six-month periods ended 30 June 2023 compared to the year ended 31 December 2022:

		<i>30 June (Unaudited)</i>	
		<i>2023</i>	<i>2022</i>
<i>Related party</i>	<i>Nature of transaction</i>	<i>SR'000</i>	<i>SR'000</i>
Yaal Alarabeya Company	Sales to related party	54	1,904

Allowances and compensation of the Board of Directors and senior executives

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

Board of Directors and committees' compensation charged and accrued during the six-month period ended 30 June 2023 amounting to 2,143 thousand (30 June 2022: SR 2,046 thousand).

Key management personnel compensation comprised the following:

	<i>30 June 2023 (Unaudited) SR'000</i>	<i>30 June 2022 (Unaudited) SR'000</i>
Short term employee benefits	4,583	4,810
Post-employment benefits	145	418
	<u>4,728</u>	<u>5,228</u>

18 DIVIDENDS

On 11 March 2023G, (corresponding to 19 Shaaban 1444H), the Board of Directors recommended the distribution of dividends in the amount of 42.5 million Saudi riyals (SR 0.25 per share) after obtaining the approval of the shareholders in the General Assembly. On April 11, 2023G (corresponding to 20 Ramadan 1444H), the shareholders in the General Assembly meeting approved the recommendation of the Board of Directors. The dividends was paid on 4 May 2023G (corresponding to 14 Shawwal 1444H).

The shareholders, in annual general assembly meeting held on 13 April 2022G (corresponding to 12 Ramadan 1443H), approved dividends of SR 42.5 million (SR 0.25 per share) that was paid on 24 April 2022G (corresponding to 23 Ramadan 1443H).

19 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.

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(continued)

As at 30 June 2023 (Unaudited)

19 FAIR VALUE MEASUREMENT (continued)

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 by using the asset in its highest and best use or by selling it to another market participant that would use 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 financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement, as follows:

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

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers among the levels during the period.

The management assessed that the fair value of financial assets and financial liabilities approximate their carrying amounts primarily due to the short-term maturities of these instrument.

20 APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were authorized for issue by the Group's board of directors on 13 Muharram 1445H (corresponding to 31 July 2023G).