

**INDEPENDENT AUDITOR'S REPORT****TO THE SHAREHOLDERS OF EASTERN PROVINCE CEMENT COMPANY****REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****(1/5)****OPINION**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Eastern Province Cement Company, A Saudi Joint Stock Company (the "Company") as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the financial statements of the Company, which comprise of the following:

- The statement of financial position as at December 31, 2022;
- The statements of profit or loss and other comprehensive income for the year then ended;
- The statement of changes in equity for the year then ended;
- The statement of cash flows for the year then ended, and;
- The notes to the financial statements, including a summary of significant accounting policies.

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 financial statements" section of our report. We are independent from the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the 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 financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

RIYADHTel. +966 11 206 5333 | P.O Box 69658
Fax +966 11 206 5444 | Riyadh 11557**JEDDAH**Tel. +966 12 652 5333 | P.O Box 15651
Fax +966 12 652 2694 | Jeddah 21454**AL KHOBAR**Tel. +966 13 893 3378 | P.O Box 4636
Fax +966 13 893 3349 | Al Khobar11557

INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE SHAREHOLDERS OF EASTERN PROVINCE CEMENT COMPANY
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS
(2/5)
KEY AUDIT MATTERS (Continued)

Key Audit Matters	How our audit addressed the key audit matter
<i>Existence and valuation of work in progress inventory</i>	
<p>The Company's inventory includes of work in progress amounted to SR 385 million (mainly consisting of clinkers stored in the form of piles in yards built for this purpose) as at 31 December 2022.</p> <p>The determination of the quantity of work in progress inventory, require management estimates for the quantities available at the end of the year for measuring inventory piles and converting the measurements into unit volumes using the angle of repose and quantitative density. Management used its experts to estimate the quantities, who used some practical methodological measurement calculations and apply density conversion methods used for similar types of inventory in the cement industry.</p> <p>Given the significance of such balances included in the inventories and related estimates used in determining the quantities, the existence and valuation of inventory was considered as a key audit matter.</p> <p>The accounting policy for inventories is outlined in note (2).</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> • Attending the physical count conducted by the Company and its experts. • Evaluating the efficiency, qualifications, and objectivity of the experts. • Obtaining the work in progress inventory count report submitted by the experts regarding the main inventory items and checking them on sample basis. • Assessing the reasonableness of inventory piles measurements carried out by management and experts during the physical count and recalculating the conversion of piles into quantities. • On a sample basis, testing the work in progress inventory valuation at the end of the year, and assessing judgments and estimates used in estimating the damages and the impairment by management. • Assessing the completeness and adequacy of the disclosures related to inventory for the year ended December 31, 2022.
<i>Revenue Recognition</i>	
<p>During the year ended December 31, 2022, the Company recognized total net revenue of SR 784 million.</p> <p>The Company recognize the revenue mainly when the control of goods is transferred and accepted by the customer in accordance with IFRS 15.</p> <p>Revenue recognition has been identified as a key audit matter given the significant volume of sales transactions involved and the factors associated with the revenue recognition and the risk that management may override controls in order to misstate revenue transactions, either by recognizing sales on unapproved products or inappropriate assessments of returns and rejections.</p> <p>The accounting policy for revenue is outlined in note (2).</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> • Evaluating the design and implementation, and testing the operating effectiveness of relevant key controls over the revenue cycle; • Assessing the appropriateness of revenue recognition accounting policies of the Company; • Inspecting sales transactions taking place at either side of year-end to assess whether revenue was recognized in the correct period; • Performing substantive test of details and analytical procedures. • Assessing the completeness and sufficiency of disclosures relating to revenue in the financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)**TO THE SHAREHOLDERS OF EASTERN PROVINCE CEMENT COMPANY****REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****(3/5)****OTHER INFORMATION**

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Company but does not include the financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report of the Company, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is responsible for assessing the Company'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 the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)**TO THE SHAREHOLDERS OF EASTERN PROVINCE CEMENT COMPANY****REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****(4/5)****AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)**

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.



PKF

Ibrahim Ahmed Al-Bassam & Co.

Certified Public Accountants
(Member of PKF International)

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF EASTERN PROVINCE CEMENT COMPANY



REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

(5/5)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Al-Bassam & Co.



Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337
Al Khobar: Ramadan 3, 1444H
Corresponding to: March 25, 2023

RIYADH

Tel. +966 11 206 5333 P.O Box 69658
Fax +966 11 206 5444 Riyadh 11557

JEDDAH

Tel. +966 12 652 5333 P.O Box 15651
Fax +966 12 652 2894 Jeddah 21454

AL KHOBAR

Tel. +966 13 893 3378 P.O Box 4636
Fax +966 13 893 3349 Al Khobar 11557