

NORTHERN REGION CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS AND
THE INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2025**

NORTHERN REGION CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED DECEMBER 31, 2025

<u>Index</u>	<u>Page</u>
Independent auditor's report	1 - 4
Consolidated Statement of financial position	5
Consolidated Statement of profit or loss and other comprehensive income	6
Consolidated Statement of changes in equity	7
Consolidated Statement of cash flows	8
Notes to the consolidated financial statements	9 - 46

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of The Northern Region Cement Company (A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of **Northern Region Cement Company** (A Saudi Joint Stock Company) (the "Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statement of profit or loss and other 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 material accounting policy information.

In our opinion, the accompanying consolidated financial statements presents fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025, and its consolidated financial performance and its consolidated 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").

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 International Code of Ethics for Professional Accountants that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our 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 for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p>Goodwill impairment: As of December 31, 2025, the carrying amount of goodwill amounted to SAR 506.9 million (December 31, 2024: SAR 506.9 million). Management performed its annual goodwill impairment assessment as of December 31, 2025, in accordance with the requirements of IAS 36 "Impairment of Assets." Since goodwill is allocated to the relevant cash-generating units (CGUs), the impairment test was conducted by comparing the carrying amount of each CGU, including goodwill, with its recoverable amount. The recoverable amount for each identified CGU was determined based on the value-in-use calculation. This was performed using a discounted cash flow model that applies cash flow projections derived from management-approved financial budgets covering a five-year period</p>	<p>We performed the following audit procedures to assess the adequacy of management's impairment evaluation of the carrying amount of goodwill:</p> <ul style="list-style-type: none"> - Evaluated the design and implementation of the Group's internal control procedures related to the goodwill impairment assessment process. - Assessed the appropriateness of management's allocation of goodwill to the cash-generating units (CGUs) in accordance with the requirements of IAS 36.

Independent Auditor’s Report (Continued)

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p>Goodwill impairment: (continued)</p> <p>The Group’s calculation of value in use for the CGUs involves significant judgments and assumptions related to future cash flow forecasts and discount rates used. These assumptions are highly sensitive to changes, which directly affect the recoverable amount and, consequently, the results of the goodwill impairment test.</p> <p>We considered the impairment assessment of goodwill to be a key audit matter due to the significance of the judgments and assumptions applied in estimating the recoverable amount, as well as the inherent uncertainty related to the underlying forecasts and assumptions used. Please refer to note (6-7) in the accompanying consolidated financial statements for the accounting policy on intangible assets, note (7-6) for significant accounting judgments and estimates related to goodwill impairment, and note (9) for the related disclosures.</p>	<ul style="list-style-type: none"> - Engaged our internal specialists to assist in evaluating the reasonableness of the value-in-use calculation, as well as the reasonableness of the methodology, significant judgments, and underlying assumptions used — including future cash flow forecasts and the discount rates applied. - Assessed the accuracy and relevance of the input data used in the goodwill impairment model by referencing supporting evidence. This included reviewing management-approved budget forecasts and evaluating the reasonableness of these budgets by comparing them to historical results and the Group’s performance against prior budgets. - Evaluated the adequacy of disclosures in the consolidated financial statements, including disclosures related to significant assumptions, judgments, and sensitivity analyses.
<p>Existence of inventories:</p> <p>The net inventory balance as of December 31, 2025 amounted to SAR 750.4 million, representing 82% of total current assets and 20% of total assets (December 31, 2024: SAR 681.9 million, representing 79% of total current assets and 19% of total assets). Inventory consists of raw materials and clinker inventories stored in piles at yards and warehouses designated for this purpose.</p> <p>Determining the weight of these inventories is not practically feasible. At year-end, management estimates the quantities on hand by measuring the inventory piles and converting these measurements into volume units using the angle of repose and density factors. To perform this, management appoints an independent surveyor to estimate the quantities at year-end.</p> <p>Additionally, management calculates cost of sales and the year-end inventory value based on incurred costs, quantities produced, and the inventory balance at year-end. Therefore, the existence and valuation of inventory and the cost of sales are directly affected by the inventory counting process described above at year-end. Due to the significance of the inventory balance and the related estimates and assumptions used in determining the quantities of raw materials and clinker inventory, we considered this matter to be a key audit matter.</p> <p>Please refer to note (6-10) in the attached financial statements for the accounting policy on inventory, note (7-1) for significant accounting judgments and estimates related to inventory, and note (12) for the related disclosures.</p>	<p>We have carried out the following procedures regarding the existence of raw material inventory balance and clinker stocks:</p> <ul style="list-style-type: none"> - Evaluated the design and implementation of the Group’s internal control procedures related to the inventory accounting process. - Attended the physical inventory count conducted by the Group and the independent surveyor expert. - Assessed the competence, capabilities, and objectivity of the independent surveyor expert appointed by the Group. - Obtained the inventory count report for raw materials and clinker prepared by the independent surveyor expert and reconciled the quantities included in the report with the quantities counted as of 31 December 2025. - Evaluated the adequacy and appropriateness of the disclosures related to inventory in the consolidated financial statements.

Independent Auditor's Report (Continued)

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon. The 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.

When we read the annual report, 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 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 issued 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, the Board of Directors, are responsible for overseeing the Group's consolidated 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 judgement 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group's consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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, actions taken to eliminate threats or safeguards applied.

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 period 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.

RSM Allied Accountants Professional Services



Abdullah Bin Ahmed Al Faddaghi
License No. 706
Riyadh, Saudi Arabia
28 Ramadan 1447 H (Corresponding to 17 March, 2026)



Northern Region Cement Company
(A Saudi Joint Stock Company)
Consolidated Statement of financial position
As at December 31, 2025
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	31 December 2025	31 December 2024
Assets			
Non-current assets			
Property, plant and equipment, net	8	2,216,731,719	2,130,517,807
Intangible assets, net	9	556,540,840	558,704,478
Right -of- use assets, net	10-1	9,341,002	11,548,537
Total non-current assets		2,782,613,561	2,700,770,822
Current assets			
Inventory	12	750,431,666	681,879,308
Prepaid expenses and other debit balances, net	13	63,973,256	70,786,992
Trade receivables, net	14	58,890,968	43,979,941
Due from a related party	15-1	374,828	413,071
Notes receivable	16	21,216,642	39,452,765
Cash and cash equivalents	17	22,964,221	26,987,432
Total current assets		917,851,581	863,499,509
Total assets		3,700,465,142	3,564,270,331
Equity and Liabilities			
Equity			
Share capital	1	1,800,000,000	1,800,000,000
Statutory reserve	18	161,703,317	161,703,317
Retained earning		311,568,904	300,506,888
Employees defined benefit obligations remeasurement reserve		(4,940,870)	(4,357,219)
Foreign currency translation reserve		(6,209,021)	(5,639,265)
Total equity attributable to the shareholders of the parent Company		2,262,122,330	2,252,213,721
Non-controlling interest		1,983,100	2,097,878
Total Equity		2,264,105,430	2,254,311,599
Liabilities			
Non-current liabilities			
Long-term borrowings - non-current portion	19	364,917,170	315,466,001
Leases liabilities - non-current portion	10-2	4,833,716	6,587,780
Employees defined benefit obligations	20	27,943,476	24,148,962
Zakat liability - non-current portion	23-1	21,006,279	30,925,912
Provision for site restoration	21	5,064,794	4,854,037
Total non-current liabilities		423,765,435	381,982,692
Current liabilities			
Bank facilities	19	501,109,094	481,589,730
Long-term borrowings – current portion	19	195,195,682	173,050,059
Trade and notes payables		241,395,759	145,080,034
Accrued expenses and other credit balance	22	43,610,513	101,206,943
Leases liabilities - current portion	10-2	1,513,479	1,972,559
Due to a related party	15-2	8,695,972	-
Zakat liability - current portion	23-1	9,336,124	16,697,533
Zakat and income tax provision	23-2	11,737,654	8,379,182
Total current liabilities		1,012,594,277	927,976,040
Total liabilities		1,436,359,712	1,309,958,732
Total equity and liabilities		3,700,465,142	3,564,270,331

CFO

CEO

Chairman

The accompanying notes form an integral part of these consolidated financial statements.

Northern Region Cement Company

(A Saudi Joint Stock Company)

Consolidated Statement of profit or loss and other comprehensive income**For the year ended December 31, 2025**

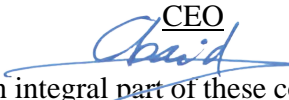
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	2025	2024
<u>Profit and loss</u>			
Sales, net	24	683,517,776	622,520,069
Cost of Sales		<u>(473,516,355)</u>	<u>(423,367,116)</u>
Gross profit		210,001,421	199,152,953
Selling and marketing expenses	25	(40,299,765)	(35,023,491)
General and administrative expenses	26	<u>(47,564,986)</u>	<u>(42,621,383)</u>
Profits from operations		122,136,670	121,508,079
Finance cost	27	(58,389,750)	(49,654,192)
Gain from disposal of investment in an associate	11	-	45,447,576
Provision for expected credit loss	14	(527,856)	(950,383)
Impairment of other debit balances	13	(3,250,000)	(3,836,656)
Other income	28	<u>14,660,767</u>	<u>10,633,872</u>
Profit before zakat and income tax		74,629,831	123,148,296
Zakat expense	23	(15,000,000)	(18,565,063)
Income taxes expense of subsidiaries	23	<u>(3,503,814)</u>	<u>(3,704,106)</u>
Net profit for the year		<u>56,126,017</u>	<u>100,879,127</u>
<u>Other comprehensive income:</u>			
Items that may subsequently reclassified to profit or loss:			
(Loss) Gain on translation of foreign operations		(570,264)	1,171,267
Items that will not be reclassified subsequently to profit or loss:			
(Losses)/ Gains from remeasurement of employee defined benefit obligations	20	<u>(583,651)</u>	<u>146,368</u>
Total other comprehensive income for the year		<u>(1,153,915)</u>	<u>1,317,635</u>
Total comprehensive income for the year		<u>54,972,102</u>	<u>102,196,762</u>
Net profit for the year attributable to:			
Shareholders of the parent company		56,062,016	100,799,650
Non-controlling interest		<u>64,001</u>	<u>79,477</u>
		<u>56,126,017</u>	<u>100,879,127</u>
Total Comprehensive income for the year attributable to:			
Shareholders of the parent company		54,908,609	102,117,285
Non-controlling interest		<u>63,493</u>	<u>79,477</u>
Total comprehensive income for the year		<u>54,972,102</u>	<u>102,196,762</u>
Earnings per share			
Basic and diluted earnings per share from net profit for the year	29	0.31	0.56

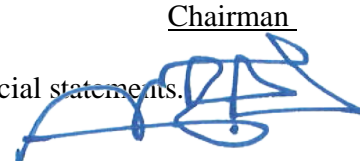
CFO



CEO



Chairman



The accompanying notes form an integral part of these consolidated financial statements.

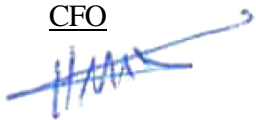
Northern Region Cement Company
(A Saudi Joint Stock Company)
Consolidated Statement of Changes in Equity
For the year ended December 31, 2025

(All amounts are in Saudi Riyals unless otherwise stated)

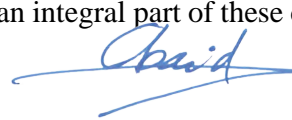
Total equity attributed to the shareholders of the parent

	Share Capital	Statutory Reserve	Retained Earnings	Employees defined benefit obligations rereasurement reserve	Foreign currency translation reserve	Total equity attributed to the shareholders of the parent Company	Non-Controlling Interest	Total Equity
Balance as of January 1, 2024	1,800,000,000	161,703,317	289,707,238	(4,503,587)	(6,810,532)	2,240,096,436	2,137,153	2,242,233,589
Net profit for the year	-	-	100,799,650	-	-	100,799,650	79,477	100,879,127
Other comprehensive income for the year	-	-	-	146,368	1,171,267	1,317,635	-	1,317,635
Total comprehensive income for the year	-	-	100,799,650	146,368	1,171,267	102,117,285	79,477	102,196,762
Dividends to shareholders (Note 34-a)	-	-	(90,000,000)	-	-	(90,000,000)	-	(90,000,000)
Dividends to non-controlling interests (Note 34-b)	-	-	-	-	-	-	(118,752)	(118,752)
Balance as of December 31, 2024	<u>1,800,000,000</u>	<u>161,703,317</u>	<u>300,506,888</u>	<u>(4,357,219)</u>	<u>(5,639,265)</u>	<u>2,252,213,721</u>	<u>2,097,878</u>	<u>2,254,311,599</u>
Balance as of January 1, 2025	1,800,000,000	161,703,317	300,506,888	(4,357,219)	(5,639,265)	2,252,213,721	2,097,878	2,254,311,599
Net profit for the year	-	-	56,062,016	-	-	56,062,016	64,001	56,126,017
Other comprehensive loss for the year	-	-	-	(583,651)	(569,756)	(1,153,407)	(508)	(1,153,915)
Total comprehensive income for the year	-	-	56,062,016	(583,651)	(569,756)	54,908,609	63,493	54,972,102
Dividends to shareholders (Note 34-a)	-	-	(45,000,000)	-	-	(45,000,000)	-	(45,000,000)
Dividends to non-controlling interests (Note 34-b)	-	-	-	-	-	-	(62,070)	(62,070)
Effect of Acquisition of an Additional Interest in a Subsidiary	-	-	-	-	-	-	(116,201)	(116,201)
Balance as of December 31, 2025	<u>1,800,000,000</u>	<u>161,703,317</u>	<u>311,568,904</u>	<u>(4,940,870)</u>	<u>(6,209,021)</u>	<u>2,262,122,330</u>	<u>1,983,100</u>	<u>2,264,105,430</u>

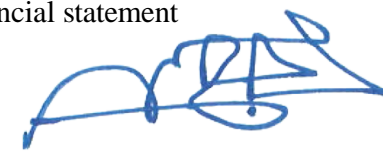
CFO



CEO



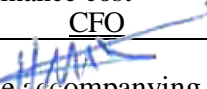
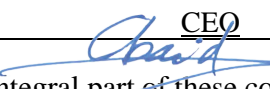
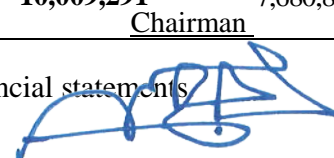
Chairman



The accompanying notes form an integral part of these consolidated financial statement

Northern Region Cement Company
(A Saudi Joint Stock Company)
Consolidated Statement of Cash Flow
For the year ended December 31, 2025
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	2025	2024
Cash flows from operating activities:			
Profit before zakat and income tax		74,629,831	123,148,296
Adjustments to reconcile profit before zakat and income tax:			
Depreciation and amortization	10, 9, 8	53,538,711	52,573,436
Capital gains from sale of property, plant and equipment		(5,698)	(280,741)
Finance cost	27	58,389,750	49,654,192
Gain from disposal of investment in an associate	11	-	(45,447,576)
Impairment of other debit balances	13	3,250,000	3,836,656
Provision for expected credit loss	14	527,856	950,383
Employee defined benefit obligation expenses	20	7,010,207	2,717,940
		197,340,657	187,152,586
Change in operating assets and liabilities:			
Trade and notes receivables, net		2,797,240	15,881,934
Inventory		(64,188,408)	(51,317,407)
Due from a related party		38,243	-
Due to a related party		8,695,972	-
Prepaid expenses and other debit balances		3,563,736	(14,576,525)
Trade and notes payables		96,315,725	25,785,802
Accrued expenses and other credit balances		(57,596,430)	(3,561,316)
Accrued zakat liabilities		(15,609,875)	(18,555,547)
Cash flow generated from operating activities		171,356,860	140,809,527
Zakat and income tax paid		(16,816,509)	(21,929,357)
Paid defined benefit obligation	20	(4,758,335)	(1,516,124)
Net cash flow generated from operating activities		149,782,016	117,364,046
Cash flows from investing activities:			
Additions to property, plant and equipment	8	(130,094,822)	(208,250,726)
Proceeds from disposal of property, plant and equipment		22,791	1,299,402
Additions to intangible assets	9	(599,573)	(4,108,078)
proceeds received from disposal of an associate	11	-	206,250,000
Net cash flow used in investing activities		(130,671,604)	(4,809,402)
Cash flows from financing activities:			
Repayments of loans and bank facilities	19	(477,217,168)	(607,723,790)
Proceeds from loans and bank facilities	19	568,333,324	624,589,730
Finance cost paid		(67,565,244)	(56,189,263)
Dividends paid to the company's shareholders	34	(45,000,000)	(90,000,000)
Change in non-controlling interest		(178,271)	(118,752)
Lease liabilities paid	10-2	(936,000)	(214,500)
Net cash flow used in financing activities		(22,563,359)	(129,656,575)
Net change in cash and cash equivalents		(3,452,947)	(17,101,931)
Cash and cash equivalents at the beginning of the year		26,987,432	42,918,096
Effect of exchange rate changes on the translation of Foreign Currency financial statements of subsidiaries		(570,264)	1,171,267
Cash and cash equivalents at the end of the year	17	22,964,221	26,987,432
Non-cash transactions			
(Losses) gains on remeasurement of employee-defined benefit obligation	20	(583,651)	146,368
Addition to the right of use asset against lease liability	10	-	9,912,151
Transfer from property, plant and equipment to inventory		4,363,950	-
Transfer from zakat liabilities to zakat provision		1,904,197	-
Capitalized finance cost	19	10,009,291	7,680,845

 CFO
 CEO
 Chairman

The accompanying notes form an integral part of these consolidated financial statements

1. Company's information:

A. Establishing the Company

Northern Region Cement Company ("the Company") which is the parent company, is a Saudi joint stock company, It is registered in the city of Turaif, Kingdom of Saudi Arabia, under Commercial Registration No. 3451002618 dated 19 Safar 1427H (corresponding to 19 March 2006), with Unified Number 7001494108.

In 2006, Saudi pan kingdom Company (SAPC). obtained a raw materials quarry license to exploit limestone from the North Harrat Al-Hurra area in Arar Governorate, affiliated with the Northern Borders Region Emirate, pursuant to Ministerial Resolution No. 48/Q dated 6 Rajab 1427H (corresponding to 31 July 2006). The licensed area is 30 km² (thirty square kilometers). Based on this license, Northern Region Cement Company was established in 2006. Upon the request of Saudi pan kingdom Company (SAPC) of Petroleum and Mineral Resources issued Resolution No. Q/8213 dated 24 Ramadan 1435H (corresponding to 21 July 2014), approving the transfer of all quarry licenses and related permits from Abr Al-Mamlaka Saudi Company for Trading, Industry and Contracting Ltd. to Northern Region Cement Company.

The Capital Market Authority issued Resolution No. 4/585 dated 23 Rabi' Al-Awwal 1434H (corresponding to 4 February 2013), approving the announcement of the Company's conversion from a Saudi closed joint-stock company to a Saudi joint-stock company. The Company subsequently offered 50% of its shares for public subscription to complete the remaining portion of its capital by offering 54 million shares with a total value of SAR 540 million. Accordingly, the Company's capital became SAR 1,800 million, divided into 180 million shares with a nominal value of SAR 10 per share.

B. Nature of the company's activities

The Company's principal activities include the manufacturing of Ordinary Portland cement, manufacturing of white cement, manufacturing of Clinker, rock cutting using explosive materials, and retail sale of building materials, including cement, concrete blocks, gypsum, cement tiles, and other related materials.

C. Fiscal year

The Company's financial year is twelve months from the beginning of January until the end of December each calendar year.

2. Information about the group

The Company and its subsidiaries (collectively referred to as the "Group") represent an integrated industrial group operating in the production of cement and building materials in the Middle East. The Group's activities are primarily concentrated in the Saudi Arabia, with its operations also extending to Jordan, Iraq, and Syria.

The consolidated financial statements of the Group include the assets, liabilities, and results of operations of the Company and all of its subsidiaries as at and for the years ended 31 December 2025 and 31 December 2024.

Northern Region Cement Company
A Saudi Joint Stock Company
Notes to the consolidated financial statements
For the year ended December 31, 2025
(All amounts are in Saudi Riyals unless otherwise stated)

2. Group information (Continued)

Subsidiaries information are as follows:

<u>Company Name</u>	<u>Country</u>	<u>Legal Entity</u>	<u>Percentage of ownership (%) As at</u>			
			<u>31 December 2025</u>		<u>31 December 2024</u>	
			<u>Direct</u>	<u>Indirect</u>	<u>Direct</u>	<u>Indirect</u>
Northern Cement Company (A)	Jordan	Public joint stock	83.89	15.56	83.82	15.56
Diyar Najd for Contracting and Trading Limited (B)	United Arab Emirates	Limited Liability Company	100	–	100	–
Sama Al-Yamama Limited (B)	United Arab Emirates	Limited Liability Company	100	–	100	–
North Gulf Cement and Building Materials Trading Company Limited (B)	United Arab Emirates	Limited Liability Company	100	–	100	–
Abr Al-Shamal Cement, Derivatives and Building Materials Company Limited (B)	United Arab Emirates	Limited Liability Company	100	–	100	–
Al-Hazm Cement and Derivatives Trading Company Limited (B)	United Arab Emirates	Limited Liability Company	100	–	100	–
Umm Qasr Northern Cement Limited (C)	United Arab Emirates	Limited Liability Company	100	–	100	–
Umm Qasr Northern Cement Manufacturing Company (C)	Iraq	Limited Liability Company	–	99.89	–	99.88
Sarh Zamzam Investment and Industrial Projects Rehabilitation Company (D)	Jordan	Limited Liability Company	100	–	100	–
White Stars Mining Investments Company LLC (A)	Jordan	Limited Liability Company	–	99.45	–	99.38
Al-Fayhaa Cement Company for Cement Manufacturing and Industrial Projects Rehabilitation (A)	Jordan	Limited Liability Company	–	99.45	–	99.38
Northern Region Cement Company for Investment (E)	Saudi Arabia	Single-Owner Limited Liability Company	100	–	100	–
Northern Cement Company (F)	Egypt	Egyptian Joint-Stock Company	100	–	100	–

A. The financial statements of Northern Cement Company – Hashemite Kingdom of Jordan (“Northern Cement – Jordan”) include the financial statements of its subsidiaries, which are owned at 99.45% (White Stars Mining Investments Company LLC and Al-Fayhaa Cement Company for Cement Manufacturing and Industrial Projects Rehabilitation). The activities of the subsidiary (Northern Cement – Jordan) include clinker production and grinding, cement manufacturing, and the execution of industrial projects.

During 2020, the Company's ownership in Northern Cement – Jordan was increased by acquiring shares through its subsidiaries, namely Diyar Najd for Contracting and trading limited and Sama Al-Yamamah limited, which are wholly owned by the Parent Company.

During the year ended 31 December 2025, Northern Region Cement Company – Kingdom of Saudi Arabia purchased additional shares in Northern Cement Company – Hashemite Kingdom of Jordan, resulting in an increase in the ownership percentage from 99.38 to 99.45 (direct and indirect).

2. Group information (Continued)

B. These subsidiaries are companies established in the United Arab Emirates for the purpose of owning shares in North Cement Jordan.

C. During the first quarter of 2018, the Company acquired all shares of Umm Qasr Northern Cement Limited (“Umm Qasr – Emirates”), registered in the Jebel Ali area in Dubai, with a capital of AED 10,000, for an amount of SAR 6,064,527. Both of the following subsidiaries: (Umm Qasr – Emirates), (Northern Cement – Jordan), and (Sarh Zamzam – Jordan), own 70%, 20%, and 10%, respectively, of the equity of Umm Qasr Northern Cement Manufacturing Limited – Iraq, which holds the right to execute a contract for the rehabilitation, operation, and production-sharing of the Basra Cement Plant in the Republic of Iraq.

D. During the fourth quarter of the year ended December 31, 2023, the Company acquired 50% of Sarh Zamzam Investment and Industrial Projects Rehabilitation Company "Sarh Zamzam", registered in Amman with a capital of 100,000 Jordanian Dinars, for an amount of 1,125,000 Saudi Riyals. Meanwhile, the subsidiary, Northern Cement Jordan, owned 50% of Sarh Zamzam's shares as of December 31, 2023. The main objectives of Sarh Zamzam is management and development of industrial, administrative, and mining projects; investment in commercial and industrial projects and companies, including mining, cement, iron, and other companies; clinker production and grinding; and cement manufacturing.

During the year ended December 31, 2024, Northern Cement Jordan transferred its 50% share in Sarh Zamzam to the Company, making the Company the direct and sole owner of 100% of Sarh Zamzam's capital.

E. During the year ended 31 December 2023, the Parent Company established Northern Region Cement Investment Company in the Kingdom of Saudi Arabia for the purpose of investment-related activities. The share capital of Northern Region Cement Investment Company is SAR 100,000 and is fully owned by the Parent Company.

F. During the year ended 31 December 2023, the parent company established Northern Region Cement Company in the Egypt for the purpose of establishing and operating a plant for the production of Ordinary Portland Cement, white cement, clinker, and all types of cement products. Its activities also include the sale of cement products and raw cement materials in all forms, general trading and distribution as permitted by law, public supplies, and export activities. The share capital of Northern Region Cement Company – Egypt amounts to 123,921 Saudi Riyals and is wholly owned by the parent company.

3. Basis of preparations

a) Statement of compliance:

These consolidated financial statements 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 issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (here and after refer to as “IFRS as endorsed in Saudi Arabia”).

b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for, defined benefit obligations measured at present value of future obligations using the Projected Unit Credit Method, lease liabilities at present value of future lease payments and rehabilitation provision is recorded at the present value of estimated future costs.

C) Presentation and functional currency

These consolidated financial statements are presented in Saudi Riyals, which is both the presentation and functional currency of the Company, all the numbers are rounded to the nearest Riyal, unless otherwise indicated.

D) Going Concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to manage its liquidity to ensure, as far as possible, that it has sufficient liquidity to meet its obligations as they fall due under both normal and unusual circumstances .

4. New Standards, Amendments to Standards, and Interpretations

The Group adopted the following new standards and amendments for the first time in its annual reporting period beginning on 1 January 2025.

Amendments to IAS 21 – Lack of exchangeability:

An entity is affected by the amendments when it has a transaction or event in a foreign currency that is not exchangeable into another currency at the measurement date for a specific purpose.

The adoption of the above-mentioned amendments does not have any material impact on the Consolidated Financial Statements during the year.

Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2026 and earlier application is permitted for certain new standards and amendments; however, the Group has not early adopted them in preparing these Consolidated Financial Statements and these amendments are not expected to have a material impact on the Group’s financial statements.

Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments:

- These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
- make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

4. New Standards, Amendments to Standards, and Interpretations (continued) Standards issued but not yet effective (continued)

IFRS 18 - Presentation and Disclosure in Financial Statements

This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

5. Basis of consolidation

The Group's consolidated financial statements comprising the financial statements of the Company and its subsidiaries, collectively referred to as the Group, as described in Note 2.

Control is achieved when the Group is exposed to, or has rights to, variable 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 to have control over an investee in the following situations or under the following elements:

- Control over the investee (for example, existing rights that give the Company the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its control over the investee to influence the amount of returns.

In general, there is a presumption that a majority of voting rights results in control. To support this presumption, when the Group holds less than a majority of voting rights or similar rights in an investee, the Group considers all relevant facts and circumstances when assessing whether it has power over the investee. These facts and circumstances include:

- Contractual arrangements with the other vote holders of the investee.
- Rights arising from other contractual arrangements: and
- The Group's voting rights and potential voting rights.

The Group reassesses whether it has control over an investee if facts and circumstances indicate changes in any of the control elements mentioned above. Consolidation of a subsidiary's financial statements begins when the Group obtains control over the subsidiary and ceases when the Group loses control. The assets, liabilities, revenues, and expenses of a subsidiary that is acquired or disposed of during a period are included in the consolidated financial statements from the date the Group gains control until the date control ceases.

Profits or losses and all components of other comprehensive income are attributed to the equity holders of the parent and the Group and to non-controlling interests, even if this results in a deficit balance for the non-controlling interests.

Where necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with those of the Group. All intra-group assets, liabilities, equity, income, expenses, and cash flows are eliminated in full upon consolidation. The Group and its subsidiaries prepare their financial statements for the same reporting periods. Any changes in ownership interests in a subsidiary, without loss of control, are accounted for as equity transactions.

If the Group loses control over a subsidiary, it derecognizes the assets (including goodwill), liabilities, non-controlling interest, and any other components of equity, and any resulting gain or loss is recognized in the consolidated statement of profit or loss.

5. Basis of consolidation (continued)

Equity Method

Associates are entities over which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method. They are initially recognized at cost, including transaction costs. Subsequently, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income of the associates until the date significant influence or joint control ceases.

6. Material accounting policy information

The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements, unless otherwise stated.

6.1 Classification of Assets and Liabilities as Current and Non-Current

The Group presents assets and liabilities in the consolidated 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 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.

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in 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

6.2 Revenue recognition

The Group generates revenue from the sale of bulk or bagged cement products, particularly Portland cement, white cement, and related products such as clinker. Revenue is recognized at a point in time, which is generally upon delivery, in accordance with sales invoices or specific contracts entered into separately with customers.

The following are some of the key indicators used by the Group in determining when control has passed to the customer:

- i. the Company has a right to payment for the product;
- ii. the customer has legal title to the product;
- iii. the Company has transferred physical possession of the product to the customer;
- iv. the customer has the significant risks and rewards of ownership of the product; and
- v. the customer has accepted the product.

Revenue from sale of cement

Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of the Group's activities. The Group recognizes revenue when control of cement has transferred, being when cement is delivered to the customer, the customer has full discretion over the use or sale of cement, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when cement is received by the customer at the Group's premises as per the terms of the contract, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the acceptance provisions have lapsed.

6. Material accounting policy information (continued)

6.2 Revenue recognition (continued)

Revenue is recognized net of discounts and returns. Revenue from the sales with discounts, if any, is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability, if any (included in trade and other payables) is recognized for expected volume discounts, if any payable to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with a credit term of 30-60 days, which is consistent with market practice. A receivable is recognized when the cement is delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Contract liability

A contract liability is recognised if a payment is received from a customer before the Group transfers the related goods. Contract liabilities are recognised as revenue when the Group transfers control of the related goods to the customer.

Contract assets

Contract assets represent the right to consideration in exchange for services transferred to the customer. If the Group performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Upon achieving billing milestones, if any, in accordance with the contractual terms and acceptance of services received by the customer, the amounts recognised as contract assets are reclassified to accounts receivable. Contract assets is exposed to impairment in value as in according with IFRS 9.

6.3 Foreign currencies

a) Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss.

A currency is considered exchangeable when an entity is able to exchange that currency for another currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose. A currency is not exchangeable if the entity can obtain only an insignificant amount of the other currency.

When a currency is not exchangeable at the measurement date, the Group estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date, reflecting the prevailing economic conditions.

b) Foreign operations

The assets and liabilities of foreign operations are translated into functional currency of the Company using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into functional currency of the Company using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

4. Material accounting policy information (continued)

6.3 Foreign currencies (continued)

c) Foreign operations (continued)

Upon the disposal of a foreign operation, the related items recognized in other comprehensive income for that foreign operation are reclassified to the consolidated statement of profit or loss or the consolidated statement of other comprehensive income, as appropriate.

Goodwill resulted from the acquisition of any external transaction, as well as fair value adjustments to the book value of assets and liabilities resulting from the acquisition, is considered as assets and liabilities for the external transaction and is converted to the spot transfer rate prevailing on the date of the preparation of the financial statements.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

6.4 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

a) *At initial recognition*

The Group acting as lessee recognizes a right-of-use asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The right-of-use asset is measured at its cost which includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The lease liability is measured at the present value of the lease payments that are not paid at the date of the consolidated statement of financial position.

6. Material accounting policy information (continued)

6.4 Leases (continued)

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- variable lease payments that depend on an index or rate, initially measured at the applicable index or rate at the lease commencement date;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, or the penalty payable on the exercise of a termination option unless the Group is reasonably certain not to exercise the option; and
- any amounts expected to be payable under residual value guarantees.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liabilities.

The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Group is using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

b) Amortization of right-of-use assets

Right-of-use assets are generally amortized over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Amortization is charged to consolidated statement of profit or loss using the straight-line method to allocate their costs over their lease term.

c) Subsequent measurement

Right-of-use assets:

The Group adopt the cost model to measure right of use assets. After recognition as an asset, right-of-use assets are carried at its initial recognition amounts less any accumulated amortization and impairment losses, if any.

Lease Liability:

The lease liability is measured as follows:

- Increasing the carrying amount to reflect interest on the lease liability;
- Reducing the carrying amount to reflect the lease payments made; and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Where the Group is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to consolidated profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

d) Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

6. Material accounting policy information (continued):

6.5 Zakat and tax

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (“ZATCA”). Zakat of the Group is calculated based on higher of approximate zakat base and adjusted profit and charged to the consolidated statement of profit and loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. For pending zakat assessment years, provisions are assessed at each reporting period depending on the status of zakat assessment.

The Group withhold taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian income tax law.

Income tax

For offshore subsidiaries, a provision for tax obligations, if any, is sparse in accordance with the tax regulations in the countries in which they operate. The income tax allowance is on the consolidated profit or loss and income statement.

6.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. And is able to make an additional investment to cover the losses.

The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to statement of comprehensive income during the reporting period in which they are incurred. Land is not depreciated as it is deemed to have an indefinite life.

Depreciation of assets is calculated by allocating their cost, less the estimated residual value, on a systematic basis over their estimated useful lives. The unit-of-production method is used for most machinery and equipment, as management believes this method is the most appropriate for depreciating these assets based on their current production capacity.

The following are the estimated useful lives of assets that are still being depreciated:

<u>Assets</u>	<u>Estimated Useful life</u>	<u>Assets</u>	<u>Estimated Useful life</u>
Buildings	25-40 years	Furniture, furnishings, and office equipment	4-5 years
Machinery and equipment	unit-of-production / 5-40 years	Water wells	5 years
		Leasehold improvement	Contract period or estimated useful life, whichever is less
Vehicles	4-14 years		

The assets’ residual values, useful lives and estimated unit of total production are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Spare parts and standby equipment are classified as property, plant and equipment when the Group expects to use them over more than one accounting period. Likewise, when the use of spare parts and servicing equipment is directly associated with items of property, plant and equipment, they are recognized as part of those property, plant and equipment assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of profit and losses and comprehensive income.

6. Material accounting policy information (continued):

6.6 Property, plant and equipment (continued)

Capital work in progress

Assets in the course of construction or development are capitalized in Capital work in progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of assets under construction comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of assets under construction intended by management. Assets under construction are not depreciated.

Borrowing costs related to qualifying assets are capitalized as part of the cost of the qualifying assets until the commencement of commercial production.

6.7 Intangible assets

Intangible assets, excluding goodwill, are measured at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight-line basis over their estimated useful lives ranging from 3 to 26 years.

Subsequent expenditures are capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group and the cost of the expenditure can be measured reliably.

The residual values, useful lives and indicators of impairment of intangible assets are reviewed at the end of each financial year and adjusted prospectively, if necessary

Goodwill

Goodwill arising from the acquisition of operations is recognized at cost on the acquisition date, less any accumulated impairment losses, if any.

For the purpose of reviewing goodwill impairment, goodwill is allocated to each cash-generating unit (CGU) or group of CGUs expected to benefit from the business combination.

The CGU to which goodwill has been allocated is reviewed annually, or when there is an indication of impairment, to determine whether its value has declined. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets in the unit on a pro-rata basis based on the carrying amount of each asset. Any impairment loss for goodwill is recognized directly in the consolidated statement of profit or loss and other comprehensive income. Impairment losses recognized for goodwill are not reversed in subsequent periods. When the related CGU is disposed of, the amount attributable to goodwill is included in determining the gain or loss arising from the disposal.

6.8 Financial Instruments

1) Classification of financial instruments

The Group classifies its financial assets and financial liability at amortized cost.

2. Recognition and derecognition

A financial asset or financial liability is recognized when The Group becomes a party to the contractual provisions of the instrument, which is generally on trade date.

6. Material accounting policy information (continued)

6.8 Financial Instruments (continued)

2. *Recognition and derecognition (continued)*

The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

A financial liability is derecognized from the consolidated statement of financial position when the Group has discharged its obligation, or the contract is cancelled or expires

3. *Measurement*

Initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent measurement

Subsequent measurement of financial assets is as follows:

Debt instruments

The debt instruments are subsequently measured at amortised costs.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss. This category generally applies to trade and other receivables, due from related parties and cash and cash equivalent.

Financial liabilities

Subsequent to initial recognition financial liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities of the Group comprise trade payables, accruals and other liabilities.

4. *Impairment*

The Group applies the expected credit loss (ECL) model to measure and recognize impairment losses on financial assets and credit exposures that are debt instruments measured at amortized cost, such as trade receivables, cash and bank balances, and other financial assets.

Expected credit losses represent the present value of all cash shortfalls that the Group expects to incur over the life of the financial instrument. A cash shortfall is defined as the difference between the cash flows due in accordance with the contract and the cash flows that the Group expects to receive. Expected credit losses consider both the amount and timing of expected cash flows; therefore, a credit loss may arise even if the Group expects to receive all payments but at a later date than contractually due.

The expected credit loss method requires an assessment of credit risk, probability of default, and timing of collection from the initial recognition of the financial asset. Accordingly, the expected credit loss allowance is recognized in the consolidated statement of profit or loss and other comprehensive income, even for newly originated or acquired receivables.

6. Material accounting policy information (continued)

a. Financial Instruments (continued)

4. Impairment (continued)

The impairment of financial assets is measured as either:

- 1-12-month expected credit losses, or
- 2- Lifetime expected credit losses,

Depending on whether there has been a significant increase in credit risk since initial recognition.

The 12-month expected credit losses represent losses that may result from possible default events within the 12 months following the reporting date. Lifetime expected credit losses represent losses resulting from all possible default events over the expected life of the financial asset.

Since trade receivables are generally short-term (less than 12 months), the loss allowance measured based on lifetime expected credit losses does not differ significantly from the allowance measured based on 12-month expected credit losses. Accordingly, the Group applies the simplified approach in measuring expected credit losses for trade receivables.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event (see (ii) above);
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

Reclassifications

Financial assets are reclassified when the Group changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short-term or long-term. Financial liabilities are not reclassified.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset so that the net amount is reported in the statement of financial position where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

6.9 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.

6. Material accounting policy information (continued)

6.9 Fair value measurement (continued)

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.

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 financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- 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 recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between the levels of the fair value hierarchy by reassessing the classification (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 based on the nature, characteristics, and risks of the asset or liability and the level of the fair value hierarchy, as described above.

6.10 Inventories

Raw materials and spares, work in process and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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. Spare parts inventory is reduced by the value of obsolete and slow-moving items according to management estimates.

Work in process and finished goods

Clinker, crushed and blasted limestone, crushed clay and raw meal, represent work in process inventories and Cement represents the finished goods inventories that are carried at the lower of cost or net realizable value. Cost is determined on the weighted-average method. The cost of clinker and cement inventories includes the cost of raw materials, direct labor and manufacturing overheads and all other costs necessary to bring the cement inventories to their existing condition and location.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Raw materials

Raw materials are valued at the lower of cost or net realizable value. Cost is determined on the weighted average cost basis.

6. Material accounting policy information (continued)

6.11 Trade receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less expected credit loss.

6.12 Prepayments

Advances and prepayments are carried at cost less provision for impairment. An advance or prepayment is classified as non-current when the goods or services relating to the advance or prepayment are expected to be obtained after one year, or when the advance relates to an asset which will itself be classified as non-current upon initial recognition. Advances to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to an advance or prepayment will not be received, the carrying value of the advance or prepayment is written down accordingly and a corresponding impairment loss is recognised in the consolidated profit or loss for the year.

6.13 Cash and cash equivalents

For the purpose of consolidated statement of financial position and presentation in the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

6.14 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

6.15 Borrowings and bank facilities

Borrowings are initially recognized at fair value (as proceeds), net of transaction costs incurred. Subsequently, borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the borrowings to the extent that it is probable that some or all of the facilities will be drawn down. In such cases, the fees are deferred until the drawdown occurs.

To the extent that there is no evidence that it is probable that some or all of the facilities will be drawn down, the fees are capitalized as prepayments for liquidity services and amortized over the period of the related facilities.

Borrowings are derecognized when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of profit or loss and other comprehensive income as other income or finance costs.

6. Material accounting policy information (continued)

6.15 Borrowings and bank facilities (continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of those assets. Other borrowing costs are recognized as an expense in the period in which they are incurred in the consolidated statement of profit or loss and other comprehensive income.

6.16 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

6.17 Provisions

Provisions are recognized when; the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. If the effect of the time value of money are material, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provision for site restoration

Provision for site restoration is recognized when the Group has a liability for restoration work or land rehabilitation. The extent of decommissioning required, and the associated costs are dependent on the requirements of current laws, regulations and the lease terms.

Costs included in the provision includes all decommissioning obligations expected to occur over the life of the asset. The provision for decommissioning is discounted to its present value and capitalized as part of the asset under right of use assets and then depreciated as an expense over the expected life of that asset.

Adjustments to the estimated amount and timing of future decommissioning cash flows are a normal occurrence in light of the significant judgments and estimates involved. Such adjustments are recorded as an increase in liability and a corresponding increase in the related asset. Factors influencing those adjustments include:

- developments in technology;
- regulatory requirements and environmental management strategies;
- changes in the estimated extent and costs of anticipated activities, including the effects of inflation; and
- changes in economic sustainability.

6.18 Employee benefit obligations

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably.

6. Material accounting policy information (continued)

6.18 Employee benefit obligations

Post-employment obligation

The Group operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the consolidated statement of changes in equity in the period in which they occur. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Net interest expense and other expenses related to defined benefit plans are recognized in the consolidated statement of profit or loss.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in consolidated statement of profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

The rate used to discount post-employment benefit obligations is determined by reference to market yields at the statement of financial position date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yield (at the end of the reporting period) on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-retirement benefit obligations.

The Group uses the yield available on the Kingdom of Saudi Arabia bonds as a reasonable assumption for the discount rate.

6.19 Cost of Sales

Cost of sales includes materials and consumables and other direct costs. Allocations between cost of sales and other operating costs, when required, are made on a consistent basis.

6.20 General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of sales. Allocations between general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

6.21 Selling and marketing expenses

Selling and marketing expenses principally consist of costs incurred in the distribution and selling of the Group's products and services. All other expenses are classified as general and administrative expenses.

6.22 Earnings per share

Basic earnings per share is calculated by dividing net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated after taking into account the effect of potential dilutive shares, such as options, convertible bonds, rights and bonus shares, that may increase the number of ordinary shares outstanding if such shares are dilutive.

6. Material accounting policy information (continued)

6.23 Dividends

A Liability is recognised for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

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 Board of Directors and Chief executive officer (collectively considered to be the Chief Operating Decision Maker) which makes decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. For further details about segment information refer to note 24.

7. Significant accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

7.1 Inventory

Inventories comprise of raw materials (mainly iron ore, kaolin, shale, sand and limestone) and work in process (mainly clinker which are stored in stockpiles). Since the 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 to unit of volumes by using the angle of repose and the bulk density. In doing so, management appoints external surveyors to estimate the quantities by using certain scientific systematic measurements calculations, after which management applies the density conversion method which is applied for similar stock in the cement industry.

7.2 Depreciation of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment and total estimated production of plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value, useful lives and total estimated production annually and future depreciation charges are adjusted where management believes the useful lives or total expected production differ from previous estimates, (see Note 6.6).

7. Accounting estimates and judgments (continued)

7.3 Employment benefits obligations

Employment benefits represent obligations that will be settled in the future and require assumptions to project obligations. IFRS requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases and return on assets, mortality rates, employment turnover and future healthcare costs. Changes in key assumptions can have a significant impact on the projected benefit obligation and/or periodic employees' benefits costs incurred, for further details please refer to note 20.

7.4 Provision for slow moving spare parts

The Group holds spare parts inventory for the machinery of its plant held longer than one reporting period, which may be ultimately disposed or sold below cost as a result of obsolescence or retirement of the related machinery. Management estimate the appropriate level of provisioning for spare parts at the end of each reporting period based on technical stock count. Factors influencing this estimate includes management's expectations for future utilization, disposal or sale plans for the spare parts.

7.5 Impairment in trade receivables - expected credit losses (ECL)

Measurement of ECLs is a significant estimate that involves determination methodology, models, and data inputs. The Group uses a provision matrix to calculate ECL for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed and incorporated if considered relevant and significant. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future.

7.6 Impairment of Goodwill

Goodwill and intangible assets with no specified useful lives are tested annually to see if there is impairment in their value. An impairment loss is recognized if the carrying amount of the asset or cash-generating unit exceeds its recoverable amount. The Group compares the carrying amount of the Goodwill with the estimated undiscounted cash flow of the asset in use. In the event that the carrying value exceeds the undiscounted estimated cash flow of the asset in use, the Group estimates the present value of the estimated future cash flows of the asset. An excess of the carrying amount over the present value of the estimated future cash flows is considered an impairment loss.

Northern Region Cement Company

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements

For the year ended December 31, 2025

(All amounts are in Saudi Riyals unless otherwise stated)

8. Property, plant and equipment, Net:

	Land	Buildings	Machinery and equipment	Vehicles	Furniture, fixtures and office equipment	Water wells	Leasehold Improvement	Capital work in progress	Total
Cost:									
Balance as at January 1, 2025	20,808,067	845,018,366	1,852,207,837	114,924,418	32,473,154	1,875,381	2,434,572	395,181,659	3,264,923,454
Additions	25,800	10,335	2,751,652	344,378	207,177	-	-	136,764,771	140,104,113
Disposals	-	-	(95,697)	(212,212)	(26,050)	-	(1,220,575)	-	(1,554,534)
Transfers	-	-	(4,363,950)	-	-	-	-	-	(4,363,950)
Transfer from Capital work in progress	-	13,413,742	191,930,591	3,075,650	578,511	229,262	-	(209,227,756)	-
Transfer to intangible assets	-	-	-	-	-	-	-	(383,129)	(383,129)
Balance as at December 31, 2025	20,833,867	858,442,443	2,042,430,433	118,132,234	33,232,792	2,104,643	1,213,997	322,335,545	3,398,725,954
Accumulated depreciation:									
Balance as at January 1, 2025	-	326,937,128	672,933,992	102,336,469	28,872,398	1,831,185	1,494,475	-	1,134,405,647
Depreciation charged for the year	-	22,084,058	22,946,834	2,829,134	1,204,516	15,459	182,097	-	49,262,098
Adjustments	-	-	(85,771)	-	(50,298)	-	-	-	(136,069)
Depreciation of disposed assets	-	-	(78,604)	(212,212)	(26,050)	-	(1,220,575)	-	(1,537,441)
Balance as at December 31, 2025	-	349,021,186	695,716,451	104,953,391	30,000,566	1,846,644	455,997	-	1,181,994,235
Net book value:									
As at December 31, 2025	20,833,867	509,421,257	1,346,713,982	13,178,843	3,232,226	257,999	758,000	322,335,545	2,216,731,719

8.1 The Group holds assets with a cost of SAR 111.5 million as at 31 December 2025 (31 December 2024: SAR 109.4 million) which are fully depreciated but are still in use.

8.2 Refer to (Note 19) for information regarding property, plant and equipment pledged as collateral by the Group.

8.3 The Parent Company's buildings, machinery and facilities are constructed on land located within the mining concession area in Turaif. The land has been granted to the Parent Company pursuant to Ministerial Resolution No. 48/Q dated 6 Rajab 1427H (corresponding to 31 July 2006) for a period of 30 years. The concession is renewable for a similar period at the Parent Company's option, subject to the payment of annual fees.

8.4 Capital work in progress includes capitalized borrowing costs during the year amounting to SAR 10 million (2024: SAR 7.7 million). The average borrowing rate as at 31 December 2025 was 5.8% per annum (2024: 5.1%).

8.5 Capital work in progress mainly represents projects aimed at increasing the production capacity and operational efficiency of the existing production lines, the use of alternative fuels to reduce fossil fuel consumption, improving environmental efficiency, enhancing environmental sustainability, producing other types of cement, the SAP system, and other construction projects. Upon completion, these projects will be capitalized and are expected to be completed during 2026.

Northern Region Cement Company

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements**For the year ended December 31, 2025**

(All amounts are in Saudi Riyals unless otherwise stated)

8. Property, plant and equipment, Net (continue):

	Land	Buildings	Machinery and equipment	Vehicles	Furniture, fixtures and office equipment	Water wells	Leasehold Improvement	Capital work in progress	Total
Cost:									
Balance as at January 1, 2024	20,808,067	836,464,473	1,851,935,891	115,549,214	33,734,924	1,875,381	2,434,572	188,653,550	3,051,456,072
Additions	-	59,625	3,193,212	222,600	328,760	-	-	212,127,374	215,931,571
Disposals	-	-	(1,391,141)	(863,927)	-	-	-	-	(2,255,068)
Transfers	-	8,494,268	(7,129,390)	16,531	(1,590,530)	-	-	-	(209,121)
Transfers from Capital work in progress	-	-	5,599,265	-	-	-	-	(5,599,265)	-
Balance as at December 31, 2024	<u>20,808,067</u>	<u>845,018,366</u>	<u>1,852,207,837</u>	<u>114,924,418</u>	<u>32,473,154</u>	<u>1,875,381</u>	<u>2,434,572</u>	<u>395,181,659</u>	<u>3,264,923,454</u>
Accumulated depreciation:									
Balance as at January 1, 2024	-	302,715,118	652,671,298	100,204,853	29,117,835	1,816,398	1,088,645	-	1,087,614,147
Depreciation charged for the year	-	21,742,479	22,004,244	3,052,863	995,537	14,787	405,830	-	48,215,740
Depreciation of disposed assets	-	-	(372,480)	(863,927)	-	-	-	-	(1,236,407)
Transfers	-	2,479,531	(1,369,070)	(57,320)	(1,240,974)	-	-	-	(187,833)
Balance as at December 31, 2024	<u>-</u>	<u>326,937,128</u>	<u>672,933,992</u>	<u>102,336,469</u>	<u>28,872,398</u>	<u>1,831,185</u>	<u>1,494,475</u>	<u>-</u>	<u>1,134,405,647</u>
Netbook value:									
As of December 31, 2024	<u>20,808,067</u>	<u>518,081,238</u>	<u>1,179,273,845</u>	<u>12,587,949</u>	<u>3,600,756</u>	<u>44,196</u>	<u>940,097</u>	<u>395,181,659</u>	<u>2,130,517,807</u>

Northern Region Cement Company

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements**For the year ended December 31, 2025**

(All amounts are in Saudi Riyals unless otherwise stated)

8. Property, plant and equipment, net (Continued)

a. The depreciation of property, plant and equipment is allocated as follows:

	<u>2025</u>	<u>2024</u>
Cost of revenue	46,510,756	44,970,448
Selling and distribution expenses (Note 25)	904,439	816,665
General and administrative expenses (Note 26)	1,846,903	2,428,627
Total	49,262,098	48,215,740

9. Intangible assets, net

	<u>Goodwill</u>	<u>Plant Rehabilitation</u>	<u>IT Software</u>	<u>License</u>	<u>Total</u>
Cost					
Balance as at January 1, 2025	506,851,497	61,452,158	11,305,914	792,930	580,402,499
Additions	-	599,573	-	-	599,573
Transferred from Projects Under Construction	-	73,920	-	309,209	383,129
Balance as at December 31, 2025	506,851,497	62,125,651	11,305,914	1,102,139	581,385,201
Accumulated amortization					
Balance as of January 1, 2025	-	11,421,176	9,485,782	791,063	21,698,021
Amortization for the year	-	2,511,968	556,442	77,930	3,146,340
Balance as of December 31, 2025	-	13,933,144	10,042,224	868,993	24,844,361
Net book value					
As of December 31, 2025	506,851,497	48,192,507	1,263,690	233,146	556,540,840
Cost					
Balance as at January 1, 2024	506,851,497	57,678,930	10,971,064	792,930	576,294,421
Additions	-	3,773,228	334,850	-	4,108,078
Balance as at December 31, 2024	506,851,497	61,452,158	11,305,914	792,930	580,402,499
Accumulated amortization					
Balance as at January 1, 2024	-	9,069,071	8,505,641	790,145	18,364,857
Amortization for the year	-	2,352,105	980,141	918	3,333,164
Balance as at December 31, 2024	-	11,421,176	9,485,782	791,063	21,698,021
Net book value					
As at December 31, 2024	506,851,497	50,030,982	1,820,132	1,867	558,704,478

b. The amortization of Intangible assets is allocated as follows:

	<u>2025</u>	<u>2024</u>
Cost of revenue	2,730,702	2,868,965
General and administrative expenses (Note 26)	415,638	464,199
Total	3,146,340	3,333,164

Northern Region Cement Company

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements

For the year ended December 31, 2025

(All amounts are in Saudi Riyals unless otherwise stated)

9. Intangible assets, net (continued)

Goodwill:

Goodwill arose from the Group's acquisition of equity interests in Northern Cement Company – Jordan during the third quarter of 2011. Management performs an annual impairment test for goodwill at the end of each financial year to ensure that there is no impairment in its value. Management concluded that no impairment loss was required to be recognized as at 31 December 2025.

The recoverable amount was determined based on the information used in calculating the present value of expected cash flows for five years, derived from the budgets approved by management.

Sensitivity to changes in assumptions:

Management believes that there are no reasonable potential changes in any of the underlying assumptions below that could result in a reduction in the recoverable value of the cash-generating unit, including substantially the reputation for its book value.

Basic assumptions used to calculate the present value:

Basic assumptions	31 December 2025	31 December 2024
Discount rate	%13.8	%13.5
Average estimated profit rate after tax to sales	%13.6	%17.2
Average annual sales growth rate	%9.9	%14.5

Plant rehabilitation:

The subsidiary in Iraq, Umm Qasr Northern Cement Manufacturing Company Limited, entered into an agreement with the Southern State Company for Cement (one of the companies of the Ministry of Industry and Minerals in Iraq) to rehabilitate and operate the Basra Cement Plant for a period of 26 years from the date of completion of the rehabilitation period, in exchange for free shares of the cement produced to the Iraqi government.

The rehabilitation cost of the plant represents the costs incurred by Umm Qasr Northern Cement Limited to rehabilitate the plant and prepare it for use. These costs are amortized over 26 years starting from the end of the rehabilitation period, which was completed on 1 September 2018.

IT Software:

Intangible assets include programs and payments for the development of these programs that are amortized over the estimated useful life of 4 years.

Northern Region Cement Company

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements

For the year ended December 31, 2025

(All amounts are in Saudi Riyals unless otherwise stated)

10. Right of use assets and Lease liabilities

Lease contracts mainly represent the right to use clay and limestone quarries associated with the plant, granted by the Ministry of Industry and Mineral Resources, in addition to the lease agreement for the parent company's head office located in Riyadh Front, as well as the rehabilitation costs of the parent company's quarry. The lease contracts do not contain any covenants.

The incremental borrowing rates applied by the parent company in measuring lease liabilities and right-of-use assets range from 3% to 5%.

10-1 Right of use assets	31 December 2025	31 December 2024
Balance at the beginning of the year	11,548,537	2,660,918
Additions	-	5,286,615
Provision for site restoration (Note 21)	-	4,625,536
Adjustments	(1,077,262)	-
Less: Amortization of right of use during the year	(1,130,273)	(1,024,532)
Right of use assets, net	9,341,002	11,548,537

10-2 Lease liabilities

Present value at the beginning of the year	8,560,339	3,355,062
Additions	-	5,286,615
Adjustments	(1,544,442)	-
Interest charged for the year (Note 27)	267,298	133,162
Paid during the year	(936,000)	(214,500)
	6,347,195	8,560,339

Lease liabilities in the consolidated financial position is classified as the basis of contractual maturity date:

	31 December 2025	31 December 2024
Lease liabilities - current portion	1,513,479	1,972,559
Lease liabilities - non-current portion	4,833,716	6,587,780
	6,347,195	8,560,339

11. Investment in an associate, net

The Group's investment in an associate using the equity method are as follows:

<u>Associate Company Name</u>	<u>Country</u>	Percentage of ownership	
		<u>31 December 2025</u>	<u>31 December 2024</u>
Cement Experts Development Company	The Hashemite Kingdom of Jordan	-	-

During the year ended December 31, 2024, and based on the decision of the board of directors' meeting held on February 7, 2024, the Group disposed its entire shares in Cement Experts Development company (LTD) – The Hashemite Kingdom of Jordan at a value of SAR 206 million to AMP Global Trading Company. During the year ended December 31, 2024, the Group realized gain from this sale transaction amounted to SAR 45.4 million in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2024.

Northern Region Cement Company

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements**For the year ended December 31, 2025**

(All amounts are in Saudi Riyals unless otherwise stated)

12. Inventory

	<u>31 December 2025</u>	<u>31 December 2024</u>
Raw Materials	320,282,091	322,662,088
Spare parts and consumables	180,333,135	151,775,655
Finished Goods	179,862,757	158,548,356
Goods in transit	25,228,522	22,794,731
Semi-finished Goods	16,924,417	16,842,182
Inventory held by Other	16,468,042	-
Packing materials	13,347,206	11,056,296
Total	<u>752,446,170</u>	<u>683,679,308</u>
Less: Provision of impairment of spare parts and consumable	<u>(2,014,504)</u>	<u>(1,800,000)</u>
	<u>750,431,666</u>	<u>681,879,308</u>

Impairment in value of spare parts and consumables obsolescence provision movement is as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Balance at the beginning of the year	1,800,000	-
Charged during the year	214,504	1,800,000
Balance at the end of the year	<u>2,014,504</u>	<u>1,800,000</u>

13. Prepaid expenses and other debit balances, net

	<u>31 December 2025</u>	<u>31 December 2024</u>
Advance payments to suppliers, and other debit balances	28,921,886	46,280,784
Prepaid expenses	22,371,063	19,490,638
Value added tax	20,548,942	10,946,046
Refundable insurance	4,471,282	4,083,821
Employees loans	3,620,157	1,325,520
Income tax deposit	592,582	579,979
Others	1,129,117	2,511,977
Total	<u>81,655,029</u>	<u>85,218,765</u>
Less: Impairment in value of other debit balances	<u>(17,681,773)</u>	<u>(14,431,773)</u>
	<u>63,973,256</u>	<u>70,786,992</u>

Impairment in value of other debit balances movement is as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Balance at the beginning of the year	14,431,773	10,595,117
Charged during the year	3,250,000	3,836,656
Balance at the end of the year	<u>17,681,773</u>	<u>14,431,773</u>

14. Trade receivables, net

	<u>31 December 2025</u>	<u>31 December 2024</u>
Trade receivables - Related party (Note 15-3)	-	2,994,357
Trade receivables – local	53,617,233	42,195,026
Trade receivables – Export	7,753,261	742,228
Total	<u>61,370,494</u>	<u>45,931,611</u>
less: Allowance for expected credit losses	<u>(2,479,526)</u>	<u>(1,951,670)</u>
	<u>58,890,968</u>	<u>43,979,941</u>

Northern Region Cement Company

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements**For the year ended December 31, 2025**

(All amounts are in Saudi Riyals unless otherwise stated)

14. Trade receivables, net (Continued)

*The major balances of the local trade receivables are secured by bank guarantees and promissory notes. The allowance for expected credit losses of trade receivables movement is as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Balance at the beginning of the year	1,951,670	1,001,287
Charged during the year	527,856	950,383
Balance at the end of the year	2,479,526	1,951,670

15. Related Parties Balances Transactions

Related parties are subsidiaries, associates, joint ventures, shareholders who have representation on the Company's board of directors, their close relatives, members of the board of directors, partners of subsidiaries, members of the Group's senior management, and companies that they control, are under common control, or over which they have a significant influence.

Transactions with related parties are carried out in accordance with the policies, terms and prices of dealing with other unrelated parties, and these transactions are approved by the Group's management during the normal business cycle.

The significant transactions made with related parties during the year are as follows:

<u>Related parties</u>	<u>The nature of relation</u>	<u>The nature of the transaction</u>	<u>2025</u>	<u>2024</u>
A. Transactions with related parties				
Saudi Pan Kingdom Company (SAPAC)	Relationship with a shareholder	Construction works	10,690,329	-
		Sales	-	686,185
Pan Kingdom Investment Company	Shareholder	Payment	38,243	-
B. Transactions with senior management officers				
	Expenses and allowances of the Board of Directors and its committees		4,880,000	4,835,000
	Senior Executive Compensation and Benefits		9,880,056	6,967,981

These transactions resulted in the following balances:

15-1 Due from a related party

	<u>31 December 2025</u>	<u>31 December 2024</u>
Pan Kingdom Investment Company	374,828	413,071
	374,828	413,071

15-2 Due to a related party

	<u>31 December 2025</u>	<u>31 December 2024</u>
Saudi Pan Kingdom Company (SAPAC)	8,695,972	-
	8,695,972	-

15-3 Trade receivable from a related party

	<u>31 December 2025</u>	<u>31 December 2024</u>
Saudi Pan Kingdom Company (SAPAC) (Note 14)	-	2,994,357
	-	2,994,357

Northern Region Cement Company

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements

For the year ended December 31, 2025

(All amounts are in Saudi Riyals unless otherwise stated)

16- Notes receivables

The Notes Receivable are the value of the cheques withdrawn on bank, which belong to the subsidiary of Northern Cement Company in the Hashemite Kingdom of Jordan total value of SAR 21,216,642 as of 31 December 2025 (31 December 2024: SAR 39,452,765).

17. Cash and cash equivalents

	<u>31 December 2025</u>	<u>31 December 2024</u>
Cash at banks	20,881,425	21,989,339
Cash on hand	2,082,796	4,998,093
	<u>22,964,221</u>	<u>26,987,432</u>

18. Statutory reserve:

The statutory reserve included in the consolidated financial statements as of December 31, 2025 and December 31, 2024 was required under the Company's previous by-laws. However, following the amendments made to the Company's By-laws, the requirement to establish a statutory reserve has been removed unless otherwise decided by the Company's General Assembly. Accordingly, the balance of the statutory reserve may be transferred to retained earnings. Following the amendments made to the Company's By-laws, the requirement to allocate a statutory reserve has been removed.

19. Borrowings and bank facilities:

The Group obtained borrowing and bank facilities from some local commercial banks. These borrowings and bank facilities are secured by all property, plant and equipment.

The following is a statement of the Group's borrowings and bank facilities:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Bank Facilities - Murabaha*	501,109,094	481,589,730
Borrowings**		
Current portion of long-term loan	195,195,682	173,050,059
Non- Current portion of long-term loan	364,917,170	315,466,001
Total borrowings	560,112,852	488,516,060
Total borrowings and bank facilities	<u>1,061,221,946</u>	<u>970,105,790</u>

*Bank Facilities - Murabaha:

The group has banking facilities in the form of Murabaha from several local commercial banks. The outstanding balance amounted to SAR 501 million as at December 31, 2025 (December 31, 2024: SAR 482 million) and incurs financing costs at prevailing prices in the market based on interbank offer rates in addition to fixed margin. The management intends to renew short-term loans when they are due. These facilities are secured by promissory notes.

**Borrowings:

The Group obtained long-term loans from Saudi Industrial Development Fund "the Fund" and several local commercial banks. The outstanding balance amounted at SAR 560 million as at December 31, 2025 (December 31, 2024: SAR 489 million) and incurs financing costs at prevailing prices in the market based on interbank offer rates in addition to fixed margin. The borrowings include certain financial covenants, and management regularly monitors these covenants. In the event of a breach, management takes the necessary measures to ensure compliance.

According to the long-term borrowing agreement with the fund, all properties, machinery, and equipment, whether existing or to be constructed, on a plot of land totaling 30 km² located in the Northern Free Zone in Arar Governorate and granted to the Company under the ministerial decision transferring the raw material quarry license No. S/8213 dated 24 Ramadan 1435H, along with all project assets, equipment, machinery, accessories, and

Northern Region Cement Company

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements

For the year ended December 31, 2025

(All amounts are in Saudi Riyals unless otherwise stated)

19. Borrowings and bank facilities (Continued):

appurtenances, whether currently held or acquired for the expansion of the white cement production line, are pledged as collateral, together with other guarantees in the form of promissory notes in respect of loans from local commercial banks.

Finance costs on borrowings and bank facilities during the year were as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Finance cost charged on consolidated statements of profit or loss (Note 27)	56,952,704	48,529,707
Finance cost capitalized on capital work on progress (Note 8)	10,009,291	7,680,845
Total	66,961,995	56,210,552

The borrowing and bank facilities, movement during the year is as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Balance as at January 1,	970,105,790	953,239,850
Proceeds during the year	568,333,324	624,589,730
Paid during the year	(477,217,168)	(607,723,790)
Balance as at December 31,	1,061,221,946	970,105,790

The repayment of the borrowings and bank facilities is as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Due within 2026	696,304,776	654,639,789
Due within 2027	130,128,460	119,044,889
Due within 2028	111,929,570	102,621,112
Due within 2029	73,929,570	62,000,000
Due within 2030	48,929,570	31,800,000
	1,061,221,946	970,105,790

20. Employees defined benefit obligations

	<u>31 December 2025</u>	<u>31 December 2024</u>
Balance at the beginning of the year	24,148,962	22,330,692
<u>Included in the consolidated profit and loss:</u>		
Current expenses	7,010,207	2,717,940
Interest (Note 27)	958,991	762,822
<u>Included in the consolidated other comprehensive income:</u>		
Actuarial remeasurement losses (gains) charged on other comprehensive income	583,651	(146,368)
Paid during the year	(4,758,335)	(1,516,124)
Balance at the ending of the year	27,943,476	24,148,962

Key actuarial assumptions

	<u>31 December 2025</u>	<u>31 December 2024</u>
Discount rate used	%5.25	%5.5
Rate of salary increase	%3.50	%3.50
Employees turnover	Moderate	Moderate

Sensitivity analysis of major actuarial assumptions

	<u>Rate of change %</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
Discount rate:			
Increase	% 1.00+	19,659,755	17,599,226
Decrease	% 1.00-	21,958,929	19,643,794
Expected salary increase rate:			
Increase	% 1.00+	21,632,274	19,654,819
Decrease	% 1.00-	19,632,600	17,572,751

Northern Region Cement Company

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements

For the year ended December 31, 2025

(All amounts are in Saudi Riyals unless otherwise stated)

21. Provision for the site restoration

	<u>31 December 2025</u>	<u>31 December 2024</u>
Balance at the beginning of the year	4,854,037	-
Provision made during the year	-	4,625,536
Interest on unwinding restoration provision (Note 27)	210,757	228,501
Balance at the end of the year	<u>5,064,794</u>	<u>4,854,037</u>

The management of the Group recorded provision for Group's quarries site restoration. The estimated amount is recognized by discounting the present value of the estimated restoration cost and has been charged to finance cost.

22. Accrued expenses and other credit balances

	<u>31 December 2025</u>	<u>31 December 2024</u>
Advances from customers	12,872,450	9,204,349
Accrued bank charges	11,589,950	13,051,852
Accrued salaries and wages	4,688,933	2,489,678
Accrued expenses	3,389,604	59,036,282
Customer incentive payables	3,373,674	3,951,878
Quarry exploitation fees	1,470,359	8,066,263
Accrued dividend and withholding taxes	1,448,280	1,404,762
Other	4,777,263	4,001,879
Total	<u>43,610,513</u>	<u>101,206,943</u>

23. Zakat liability, and zakat, income tax provision:

23.1 Zakat liability

The Zakat, Taxes, and Customs Authority (the "Authority") issued assessments for the years 2014 to 2019, requiring the Company to pay zakat differences totaling SAR 96,750,924. The Company submitted a settlement request to the Zakat and Tax Disputes Settlement Committee, resulting in Decision No. 1445/46 under Application No. 32322 dated August 10, 2023. This decision reduced the Authority's claim to SAR 58,350,777, which the Company subsequently approved through electronically documented approval from the Chamber of Commerce. The Company has recognized the amount of these claims over past years and is currently paying these zakat claims according to their due dates until the year 2029 by paying equal quarterly installments in the amount of SAR 2,334,031.

An assessment was issued in 2020 regarding the Company's zakat differences, amounting to SAR 9,665,149. The Company initially objected to this assessment; however, its objection was rejected. The dispute was then escalated to the General Secretariat of Tax Committees, which also dismissed the Company's objection in full. Subsequently, the case was brought before the Appeals Committee, which had not issued a decision as of December 31, 2023.

During the year ended 31 December 2024, a decision was issued rejecting the Company's objection. Accordingly, the amount payable relating to the aforementioned zakat differences was confirmed, and the Authority approved the settlement of the zakat differences amounting to SAR 9,665,149 for the year 2020 in instalments over one year. The Company had previously paid SAR 1.8 million to the Authority during 2022 out of the total SAR 9.6 million. Accordingly, the Company recognised the remaining zakat liability amounting to SAR 7.8 million during the prior year, and the outstanding balance was fully settled during the current year.

During 2025, the Zakat, Tax and Customs Authority (ZATCA) examined the Company's zakat returns for the financial years 2021 to 2023. The final zakat assessment was issued with a total amount of SAR 233,030, which was fully settled during the year ended 31 December 2025. Accordingly, there are currently no outstanding zakat obligations relating to those years.

Northern Region Cement Company

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements

For the year ended December 31, 2025

(All amounts are in Saudi Riyals unless otherwise stated)

23. Zakat liability, and zakat, income tax provision (Continue):

The table below shows the movement of the Zakat Liabilities as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Balance at the beginning of the year	47,623,445	58,350,777
Formed during the year	233,030	7,828,215
Transferred to Zakat provision	(1,904,197)	-
Paid during the year	(15,609,875)	(18,555,547)
Balance at the end of the year	<u>30,342,403</u>	<u>47,623,445</u>

Zakat liability has been presented in a consolidated statement of financial position according to the maturity dates of the agreed installments as shown below:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Zakat liability - Non Current Portion	21,006,279	30,925,912
Zakat liability - Current Portion	9,336,124	16,697,533
Total	<u>30,342,403</u>	<u>47,623,445</u>

23.2 Zakat and income tax

The details of zakat and income tax provision and national contribution are as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Accrued Zakat	10,303,888	5,794,118
Income tax and national contribution for a non-Gulf subsidiary	1,433,766	2,585,064
Total	<u>11,737,654</u>	<u>8,379,182</u>

Zakat and income tax movement are as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Balance at the beginning of the year	5,794,118	12,000,000
Charged for the year	14,766,970	10,736,848
Transferred to Zakat provision	1,904,197	-
Paid during the year	(12,161,397)	(16,942,730)
Balance at the end of the year	<u>10,303,888</u>	<u>5,794,118</u>

The movement in the provision for income tax and national contribution is as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Balance at the beginning of the year	2,585,064	3,867,585
Charged for the year	3,503,814	3,704,106
Paid during the year	(4,655,112)	(4,986,627)
Balance at the end of the year	<u>1,433,766</u>	<u>2,585,064</u>

- Status of Zakat and income Tax:

The Zakat and income tax returns were submitted until 2024, and the zakat due was paid accordingly.

The subsidiaries have filed their tax returns up to 2024 and have settled their tax liabilities accordingly.

24. Sales, net

	<u>2025</u>	<u>2024</u>
Ordinary Portland Cement	451,715,981	429,661,579
White Cement	237,042,417	202,343,379
Discounts	(5,240,622)	(9,484,889)
Total	<u>683,517,776</u>	<u>622,520,069</u>

Performance obligations are fulfilled at a point in time when the Group delivers the goods agreed under the contractual terms to customers.

Northern Region Cement Company

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements**For the year ended December 31, 2025**

(All amounts are in Saudi Riyals unless otherwise stated)

25. Selling and distribution expenses

	<u>2025</u>	<u>2024</u>
Custom clearance and Transportation expenses	31,451,663	23,675,072
Salaries, wages and employees' benefits	4,332,900	5,455,154
Depreciation of Property, Plant and Equipment (Note 8)	904,439	816,665
Employee defined benefit obligations	156,142	92,146
Other	3,454,621	4,984,454
Total	<u>40,299,765</u>	<u>35,023,491</u>

26. General and administrative expenses

	<u>2025</u>	<u>2024</u>
Salaries, wages and benefits of workers	33,620,562	28,050,003
Consultation and Professional fees	3,557,917	3,484,768
Government fees and Subscriptions	2,857,164	2,197,272
Depreciation of Property, Plant and Equipment (Note 8)	1,846,903	2,428,627
Employee defined benefit obligations	1,263,568	984,478
Right of use asset depreciation	969,457	645,845
Amortization of intangible assets (Note 9)	415,638	464,199
Rent	240,853	111,756
Bank charges	132,198	935,496
Others	2,660,726	3,318,939
Total	<u>47,564,986</u>	<u>42,621,383</u>

27. Finance cost

	<u>2025</u>	<u>2024</u>
Long-term loan borrowing costs	56,952,704	48,529,707
Interests charged on employees defined benefit obligation (Note 20)	958,991	762,822
Interest on unwinding of site restoration provision (Note 21)	210,757	228,501
Interests charged on lease liabilities (Note 10-2)	267,298	133,162
Total	<u>58,389,750</u>	<u>49,654,192</u>

28. Other income

	<u>2025</u>	<u>2024</u>
Reversal of Liabilities	4,998,574	-
Revenue of export development subsidy	3,000,000	-
Scrap sales	1,910,527	125,246
Foreign currency translation differences	1,255,313	5,100,671
Rental income	451,664	1,354,992
Gain on sale of property, plant and equipment	5,698	280,741
Other Income	3,038,991	3,772,222
Total	<u>14,660,767</u>	<u>10,633,872</u>

29. Earnings per share

The calculation of basic and diluted earnings per share is based on the return on ordinary shareholders and the weighted average number of existing common shares. Earnings per share as at December 31, 2025, was calculated based on the weighted average number of shares held during the year with a number of 180 million shares

Northern Region Cement Company

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements**For the year ended December 31, 2025**

(All amounts are in Saudi Riyals unless otherwise stated)

29. Earnings per share (Continued)

(December 31, 2024: 180 million shares). Diluted earnings per share is the same as the basic earnings per share as the Group has no convertible securities or diluted financial instruments to exercise it.

	<u>2025</u>	<u>2024</u>
Net profit for the year attributable to the parent company	<u>56,062,016</u>	<u>100,799,650</u>
Weighted average number of shares	<u>180,000,000</u>	<u>180,000,000</u>
Basic and diluted earnings per share from net profit for the year	0.31	0.56

30. Contingent liabilities:

The contingent liabilities of the group are shown in the table below:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Letters of guarantee	23,301,835	15,301,835
Legal Cases*	9,684,293	9,684,293

* The amount represents a financial claim against the subsidiary, "Northern Cement Company Jordan." The court dismissed the case in 2024, and the plaintiffs appealed to the Court of Appeal. The case remains pending till date. The Management believes the company's legal position is good.

Northern Region Cement Company
A Saudi Joint Stock Company
Notes to the consolidated financial statements
For the year ended December 31, 2025
(All amounts are in Saudi Riyals unless otherwise stated)

31. Segment information

The Group is managed as a single operational segment in the manufacture and production of cement of all kinds and the Group operates in Saudi Arabia, The Hashemite Kingdom of Jordan and the Iraqi Republic as follows:

	Saudi Arabia	The Hashemite Kingdom of Jordan	The Iraqi Republic	Adjustments and eliminations	Total
As at December 31, 2025:					
Property, plant and equipment	1,836,717,887	179,222,171	200,791,661	-	2,216,731,719
Total assets	3,645,573,156	553,191,752	313,271,974	(811,571,740)	3,700,465,142
Total liabilities	1,382,880,561	179,610,063	236,966,381	(363,097,293)	1,436,359,712
As at December 31, 2024:					
Property, plant and equipment	1,883,812,855	156,420,686	90,284,266	-	2,130,517,807
Total assets	3,521,879,335	555,332,670	205,568,288	(718,509,962)	3,564,270,331
Total liabilities	1,270,836,882	184,616,813	139,307,344	(284,802,307)	1,309,958,732
For the year ended December 31, 2025:					
Sales	455,396,357	275,998,539	108,536,374	(156,413,494)	683,517,776
Depreciation and amortization	42,492,826	7,886,575	3,159,310	-	53,538,711
Finance cost	58,389,750	-	-	-	58,389,750
Net profit for the year	56,062,017	10,440,698	10,542,173	(20,918,871)	56,126,017
For the year ended December 31, 2024:					
Sales	391,577,365	259,326,026	130,347,563	(158,730,885)	622,520,069
Depreciation and amortization	42,022,856	8,198,475	2,352,105	-	52,573,436
Finance cost	49,654,192	-	-	-	49,654,192
Net profit for the year	100,879,127	10,266,932	12,967,478	(23,234,410)	100,879,127

32. Financial risk management

The Group is exposed to various financial risks arising from its activities, including the effects of changes in market risks (such as interest rate risk on fair value and cash flows, currency risk, and price risk), credit risk, and liquidity risk. The Group's risk management program generally focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risks are managed by management in accordance with policies approved by the Board of Directors.

This note provides information on the Group's exposure to these risks, its objectives, policies, measurement and management procedures, and capital management. Quantitative disclosures are included in these consolidated financial statements.

The Board of Directors has overall responsibility for establishing, overseeing, and monitoring the Group's risk management policies.

A. Market risk

Market risk represents the risk arising from fluctuations in the fair value or future cash flows of a financial instrument due to changes in prevailing market prices. Market risk includes three types: interest rate risk, currency risk, and price risk.

1. Interest rate risk

Interest rate risk is the risk of fluctuations in the fair value or future cash flows of a financial instrument due to changes in market interest rates. The Group's exposure to interest rate changes in the market mainly relates to long-term borrowings obligations with variable interest rates.

The Group manages its interest rate risk by regularly monitoring interest rates on its financial instruments that bear interest. The Group's interest-bearing liabilities, primarily bank loans, are linked to floating rates, which are subject to periodic rate resets. Management monitors changes in interest rates and considers that the fair value and cash flow interest rate risks related to the Group's cash flows are not material. Therefore, the Group has no significant exposure to cash flow or fair value interest rate risk.

The following are the Group's borrowings and Murabaha financing instruments that carry interest rates:

	Note	31 December 2025	31 December 2024
Borrowings and Bank facilities	19	<u>1,061,221,946</u>	<u>970,105,790</u>
		<u>1,061,221,946</u>	<u>970,105,790</u>

2. Foreign Currency risk

Currency risk is the risk that the value of a financial instrument fluctuates due to changes in foreign exchange rates. The Group is not significantly exposed to such fluctuations, as its main transactions are conducted in Saudi Riyal, US Dollar, Jordanian Dinar, UAE Dirham, and Iraqi Dinar. As the Saudi Riyal, Jordanian Dinar, UAE Dirham, and Iraqi Dinar are pegged to the US Dollar, there are no material risks associated with transactions and balances denominated in Saudi Riyals

3. Price risk management

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices (other than those arising from specific interest rate risk or foreign currency risk), whether these changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

Price risk does not apply to the Group, as it has no investments in equity instruments or derivatives affected by market fluctuations.

32. Financial risk management (Continued)

B. Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration risk arises when a number of counterparties engaged in similar business activities or activities in the same geographical region or have economic features that would cause them to fail their contractual obligations to reduce exposure to credit risk, the Group has developed a formal approval process whereby credit limits are applied to its customers, which are based on comprehensive customer ratings and past repayment rates.

The management also continuously monitors the credit exposure related to its customers and makes provision against those balances considered doubtful of recovery. Outstanding balances of customers are continuously monitored. Cash and cash equivalents are placed with national banks with sound credit ratings. Trade and other receivables are basically due from customers in local markets and most balances are pledged against effective bank guarantees from local banks with sound credit ratings. Trade and other receivables are stated at their estimated realizable values

The Management considers reasonable and supportive forward-looking information such as:

- Actual or expected significant adverse changes in business,
- Actual or expected significant changes in the operating results of the counterparty,
- Financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations,
- Significant increase in credit risk on other financial instruments of the same counterparty,
- Significant changes in the value of the collateral supporting the obligation or in the quality of the third-party guarantees or credit enhancements.

	<u>31 December 2025</u>	<u>31 December 2024</u>
Other debit balances	30,362,080	19,447,343
Trade receivable	61,370,494	45,931,611
Due from a related party	374,828	413,071
Notes receivable	21,216,642	39,452,765
Cash and cash equivalent	20,881,425	21,989,339
Total	<u>134,205,469</u>	<u>127,234,129</u>

The following are the secured and unsecured trade receivables as of the reporting date:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Secured balances	50,329,666	41,626,589
Unsecured balances	11,040,828	4,305,022
	<u>61,370,494</u>	<u>45,931,611</u>

The following are the aging of trade receivables as of the reporting date:

	<u>31 December 2025</u>		<u>31 December 2024</u>	
<u>Period</u>	<u>Balance</u>	<u>Impairment</u>	<u>Balance</u>	<u>Impairment</u>
0 to 90 days	44,762,676	6,529	38,394,730	243,860
91 to 180 days	126,366	39,917	185,604	-
181 to 270 days	11,351,968	267,112	3,633,976	24,111
271 to 360 days	1,465,429	-	1,588,185	-
Over 360 days	3,664,055	2,165,968	2,129,116	1,683,699
	<u>61,370,494</u>	<u>2,479,526</u>	<u>45,931,611</u>	<u>1,951,670</u>

Northern Region Cement Company
A Saudi Joint Stock Company
Notes to the consolidated financial statements
For the year ended December 31, 2025
(All amounts are in Saudi Riyals unless otherwise stated)

32. Financial risk management (Continued)

C. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset, The Group's approach to managing liquidity by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group generally ensures that it maintains sufficient cash on demand to meet expected operational expenses, including fulfillment of financial obligations. This excludes the potential impact of extreme conditions that cannot be reasonably anticipated, such as natural disasters. In addition, the Group has credit facilities.

Management forecasts cash flows and monitors successive projections related to the Group's liquidity requirements to ensure that sufficient liquidity is available to meet operational needs, while maintaining an adequate level of committed and undrawn borrowing facilities at all times so that the Group does not breach borrowing limits or covenants.

Reconciliation of liability movements with cash flows from financing activities (where applicable) is presented for any of the borrowing facilities, but these movements are not presented separately, as they are included in the relevant notes to the financial statements.

The following are the contractual maturities of the financial liabilities at the end of the reporting period. Amounts are shown in total and not discounted:

	<u>Up to 1 year</u>	<u>From 1 year to 5 years</u>	<u>Above 5 years</u>	<u>Total</u>	<u>Carrying amount</u>
31 December 2025,					
Loans and facilities	696,304,776	364,917,170	-	1,061,221,946	1,061,221,946
Trade payables	241,395,759	-	-	241,395,759	241,395,759
Accrued expenses and other credit balances	43,610,513	-	-	43,610,513	43,610,513
Lease liabilities	1,245,322	4,176,770	1,138,065	6,560,157	6,347,195
	<u>982,556,370</u>	<u>369,093,940</u>	<u>1,138,065</u>	<u>1,352,788,375</u>	<u>1,352,575,413</u>
31 December 2024					
Loans and facilities	654,639,789	315,466,001	-	970,105,790	970,105,790
Trade payables	145,080,034	-	-	145,080,034	145,080,034
Accrued expenses and other credit balances	101,206,943	-	-	101,206,943	101,206,943
Lease liabilities	1,972,559	5,240,366	1,347,414	8,560,339	8,560,339
	<u>902,899,325</u>	<u>320,706,367</u>	<u>1,347,414</u>	<u>1,224,953,106</u>	<u>1,224,953,106</u>

D. Capital management:

In order to manage the group's capital, the capital includes equity and all other equity reserves belonging to the group's owners. The main purpose of managing the group's capital is to maximize the value of shareholders' shares. The Group manages and adjusts its capital structure considering changes in economic conditions and financial commitment requirements. To maintaining or modifying the capital structure, the Group may adjust dividend amounts paid to shareholders, return capital to shareholders or issue new shares. The group monitors capital using the leverage ratio, which represents net debt divided by total capital plus net debt. The group's liabilities include net debt, term loans, commercial accounts payable, payable expenses and other credit balances, less cash and cash equivalent.

32. Financial risk management (Continued)

D. Capital management (Continued)

The following is the ratio of the Group's net liabilities to equity

	<u>31 December 2025</u>	<u>31 December 2024</u>
Borrowings and bank facilities	1,061,221,946	970,105,790
Trade and Notes payables	241,395,759	145,080,034
Accrued expenses and other credit balances	43,610,513	101,206,943
Accrued Zakat claims	30,342,403	47,623,445
Provision for Zakat and income tax	11,737,654	8,379,182
Leases liabilities	6,347,195	8,560,339
Less: Cash and cash equivalents	<u>(22,964,221)</u>	<u>(26,987,432)</u>
Net debt	1,371,691,249	1,253,968,301
Total equity	<u>2,264,105,430</u>	<u>2,254,311,599</u>
Leverage rate	<u>61%</u>	<u>56%</u>

33. Fair Value

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. Fair value measurement is based on the assumption that the sale of an asset or the transfer of a liability takes place either:

- In the principal market for the asset or liability; or
- If there is no principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or 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 interests.

The Group uses valuation techniques appropriate to 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 financial statements are classified within the fair value hierarchy as follows, based on the lowest level of input that is significant to the overall fair value measurement as a whole:

- **Level 1:** Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- **Level 2:** Valuation techniques for which the lowest level of significant inputs to the fair value measurement are observable, directly or indirectly.
- **Level 3:** Valuation techniques for which the lowest level of significant inputs to the fair value measurement are unobservable.

For assets and liabilities measured at fair value on a recurring basis, the Group determines whether transfers between levels in the hierarchy have occurred by reassessing the classification (based on the lowest level of inputs significant to the overall fair value measurement) at the end of each reporting period. No such transfers occurred during the two years ended 31 December 2025 and 2024.

As at 31 December 2025 and 2024, the estimated fair value of the Group's financial instruments approximates their carrying amounts, as most instruments are short-term and bear no interest, except for loans and overdraft, which bear interest at prevailing market rates.

34. Dividends distribution

34-a Dividends to Shareholders

Dividends during the year ended 31 December 2025:

- The Board of Directors of Northern Region Cement Company approved at its meeting held on 28 September 2025, based on the prior approval of the General Assembly, a cash dividend distribution to the Company's shareholders for the first half of 2025, amounting to SAR 45 million, distributed over 180 million shares, at SAR 0.25 per share, representing 2.5% of the nominal value. The distribution was executed by the Company on 16 October 2025.

Dividends during the year ended 31 December 2024:

- The Board of Directors approved at its meeting held on 21 March 2024, based on the prior approval of the General Assembly, a cash dividend distribution to shareholders for the year 2023, amounting to SAR 45 million, distributed over 180 million shares, at SAR 0.25 per share, representing 2.5% of the nominal value. The distribution was executed on 24 April 2024.
- The Board of Directors approved at its meeting held on 24 November 2024, based on the prior approval of the General Assembly, a cash dividend distribution to shareholders for the year 2023, amounting to SAR 45 million, distributed over 180 million shares, at SAR 0.25 per share, representing 2.5% of the nominal value. The distribution was executed on 12 December 2024.

34-b. Dividends to Non-controlling Interests

- During 2025, Northern Cement Jordan distributed dividends amounting to SAR 62,070 to non-controlling shareholders for the 2024 profits.
- During 2024, Northern Cement Jordan distributed dividends amounting to SAR 118,752 to non-controlling shareholders for the 2023 profits.

35. Subsequent events:

In March 2026, geopolitical instability in the Middle East Region increased which may have an impact on all the regional countries. The Group's management is closely monitoring the geopolitical developments and has determined that these developments are non-adjusting events and no adjustments to the financial statements are required. While the Group's financial position remains unaffected at present, management continues to assess the potential for future impacts on its business.

36. Reclassification of comparative figures:

Certain comparative figures for the year ended 31 December 2024 have been reclassified in line with the presentation for the current year ended December 31, 2025.

	Balance previously presented	Reclassification	Balance after reclassification
Cost of sales	(389,768,248)	(33,598,868)	(423,367,116)
General and Administrative Expenses	(45,308,912)	2,687,529	(42,621,383)
Selling and marketing expenses	(65,934,830)	30,911,339	(35,023,491)

37. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Company's Board of Directors on 12 March 2026 corresponding to 23 Ramadan 1447 H.