

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE THREE-MONTH AND SIX-MONTH
PERIODS ENDED 30 JUNE 2021 AND
INDEPENDENT AUDITOR'S REVIEW REPORT**

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and six-month periods ended 30 June 2021

Table of contents	Page
Independent auditor's review report	2
Interim condensed consolidated statement of financial position	3
Interim condensed consolidated statement of profit or loss (unaudited)	4
Interim condensed consolidated statement of comprehensive income (unaudited)	5
Interim condensed consolidated statement of changes in equity (unaudited)	6
Interim condensed consolidated statement of cash flows (unaudited)	7
Notes to interim condensed consolidated financial statements	8 - 18

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF
NAJRAN CEMENT COMPANY (A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Najran Cement Company, a Saudi Joint Stock Company ("the Company" or "the Parent Company") and its Subsidiary (collectively referred to as "the Group") as at 30 June 2021, and the related interim condensed consolidated statement of profit or loss and statement of comprehensive income for the three-month and six-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Other matter

The interim condensed consolidated financial statements of the Group for the three-month and six-month periods ended 30 June 2020 have been reviewed by another auditor who have issued an unmodified conclusion on those interim condensed consolidated financial statements on 27 July 2020.

For Dr. Mohamed Al-Amri & Co.



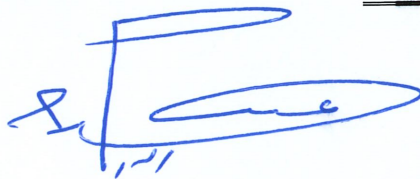
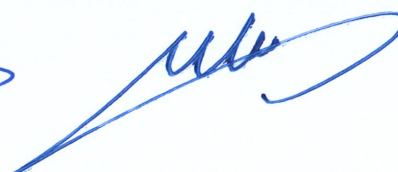
Maher Al-Khatieb
Certified Public Accountant
License Number 514



03 August 2021(G)
24 Dhul-Hijjah 1442 (H)

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

		30 June 2021 SR '000 (Unaudited)	31 December 2020 SR '000 (Audited)
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,019,332	2,019,611
Intangible assets		4,081	4,071
Total non-current assets		2,023,413	2,023,682
Current assets			
Store, spare parts and loose tools	8	113,919	112,659
Stock in trade	9	93,865	133,716
Trade receivables	10	30,871	30,356
Prepayments and other receivables		47,379	46,780
Cash and cash equivalents		143,463	171,569
Total current assets		429,497	495,080
TOTAL ASSETS		2,452,910	2,518,762
EQUITY AND LIABILITIES			
Equity			
Share capital	11	1,700,000	1,700,000
Statutory reserve		128,841	128,841
Retained earnings		193,032	227,080
Total equity		2,021,873	2,055,921
Non-current liabilities			
Provision for employees' benefits		35,794	33,438
Non-current portion of lease liability		6,047	6,047
Long term financing	12	253,000	278,500
Total non-current liabilities		294,841	317,985
Current liabilities			
Provision for zakat	13	4,707	8,721
Current portion of lease liability		240	439
Current portion of long term financing	12	51,473	51,542
Contract liability - advances from customers		5,286	6,467
Trade payables		56,342	45,025
Dividend payable		1,114	1,107
Accrued and other payables		17,034	31,555
Total current liabilities		136,196	144,856
Total liabilities		431,037	462,841
TOTAL EQUITY AND LIABILITIES		2,452,910	2,518,762

The accompanying notes from (1) to (19) form an integral part of these interim condensed consolidated financial statements.

NAJRAN CEMENT COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2021

	<i>Note</i>	<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
		<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
		<i>SR '000</i> <i>(Unaudited)</i>	<i>SR '000</i> <i>(Unaudited)</i>	<i>SR '000</i> <i>(Unaudited)</i>	<i>SR '000</i> <i>(Unaudited)</i>
Revenue, net	14	131,578	121,453	316,009	277,833
Cost of revenue		(84,919)	(71,127)	(193,960)	(171,077)
Gross profit		46,659	50,326	122,049	106,756
Selling and distribution expense		(3,397)	(2,712)	(6,682)	(5,926)
General and administrative expense		(8,211)	(7,215)	(16,460)	(14,377)
Operating profit		35,051	40,399	98,907	86,453
Finance costs		(1,914)	(5,887)	(3,840)	(10,404)
Other income		1,024	448	1,785	527
Profit before zakat		34,161	34,960	96,852	76,576
Zakat	13	(1,450)	(2,000)	(3,400)	(3,500)
Net profit for the period		32,711	32,960	93,452	73,076

Earnings per share

 Earnings per share attributable
to the shareholders of the
Company:

Basic and diluted (SR)	0.19	0.19	0.55	0.43
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**Weighted average number of
shares outstanding:**

Basic and diluted ('000 shares)	170,000	170,000	170,000	170,000
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The accompanying notes from (1) to (19) form an integral part of these interim condensed consolidated financial statements.

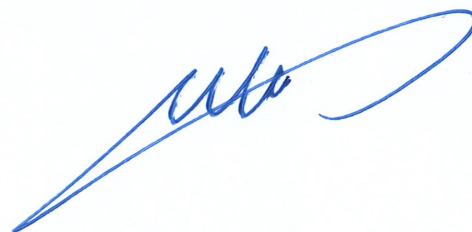
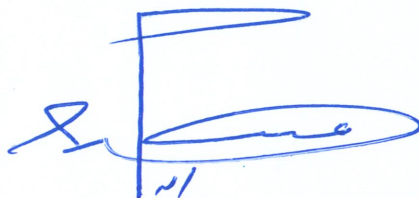
NAJRAN CEMENT COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and six-month periods ended 30 June 2021

	<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net profit for the period	32,711	32,960	93,452	73,076
Other comprehensive income ("OCI")				
OCI to be reclassified to profit or loss in subsequent periods	-	-	-	-
OCI not to be reclassified to profit or loss in subsequent periods	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	32,711	32,960	93,452	73,076



The accompanying notes from (1) to (19) form an integral part of these interim condensed consolidated financial statements.

NAJRAN CEMENT COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six-month period ended 30 June 2021

	<i>Note</i>	<i>Share capital SR '000</i>	<i>Statutory reserve SR '000</i>	<i>Retained earnings SR '000</i>	<i>Total SR '000</i>
2021:					
As 1 January 2021 (audited)		1,700,000	128,841	227,080	2,055,921
Net profit for the period		-	-	93,452	93,452
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	93,452	93,452
Dividends	17	-	-	(127,500)	(127,500)
Balance as at 30 June 2021 (unaudited)		1,700,000	128,841	193,032	2,021,873
2020:					
As 1 January 2020 (audited)		1,700,000	108,411	175,128	1,983,539
Net profit for the period		-	-	73,076	73,076
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	73,076	73,076
Balance as at 30 June 2020 (unaudited)		1,700,000	108,411	248,204	2,056,615

The accompanying notes from (1) to (19) form an integral part of these interim condensed consolidated financial statements.

NAJRAN CEMENT COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2021

		<i>For the six-month period ended 30 June</i>	
		2021	2020
	Note	SR '000	SR '000
		(Unaudited)	(Unaudited)
OPERATING ACTIVITIES			
Profit for the period		96,852	76,576
Adjustments for non-cash items:			
Depreciation	7	36,097	37,607
Amortization		9	25
Loss on sale of property, plant and equipment		0	115
Provision / (reversal) for impairment	10	283	(7)
Finance cost		3,840	10,507
Provision for employees' benefits		3,136	1,900
		<u>140,217</u>	<u>126,723</u>
Changes in working capital:			
Trade receivables		(798)	332
Store, spare parts and loose tools		(1,260)	(1,516)
Stock in trade		39,851	25,340
Prepayments and other receivables		(599)	(1,905)
Contract liability - advances from customers		(1,181)	2,083
Trade payables		11,317	5,667
Accrued and other payables		(14,521)	(5,118)
		<u>173,026</u>	<u>151,606</u>
Zakat paid	13	(7,414)	-
Finance costs paid		(3,812)	(10,766)
End of service benefits paid		(780)	(489)
Net cash generated from operating activities		<u>161,020</u>	<u>140,351</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(18,498)	(2,865)
Purchase of intangible asset		(19)	(6)
Movements in assets held for future use	7	(2,781)	(234)
Additions to capital work in progress	7	(14,539)	(201)
Net cash used in investing activities		<u>(35,837)</u>	<u>(3,306)</u>
FINANCING ACTIVITIES			
Proceed from long term financing	12	-	355,000
Repayment of long term financing	12	(25,500)	(400,000)
Payment of lease liability		(296)	-
Dividends paid		(127,493)	-
Net cash used in financing activities		<u>(153,289)</u>	<u>(45,000)</u>
Net change in cash and cash equivalents		<u>(28,106)</u>	<u>92,045</u>
Cash and cash equivalents at the beginning of the period		171,569	22,152
Cash and cash equivalents at the end of the period		<u>143,463</u>	<u>114,197</u>

The accompanying notes from (1) to (19) form an integral part of these interim condensed consolidated financial statements.

NAJRAN CEMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

1 CORPORATE INFORMATION

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

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

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

2 BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard IAS 34 ‘Interim Financial Reporting’ that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and should be read in conjunction with the Group’s last annual consolidated financial statements for the year ended 31 December 2020.

These interim condensed consolidated financial statements do not include all of the information normally required for a complete set of consolidated financial statements. However, certain accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since 31 December 2020.

These interim condensed consolidated financial statements are presented in Saudi Riyal (“SR”), which is the Company’s functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020.

The disclosures in these interim condensed consolidated financial statements do not include the information reported for full annual consolidated financial statements and should therefore be read in conjunction with the financial statements of the Group for the year ended 31 December 2020. Comparative interim condensed consolidated statement of financial position is extracted from annual financial statements as at 31 December 2020 whereas comparative interim condensed consolidated statement of profit or loss account, interim condensed consolidated statement comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows are extracted from unaudited interim condensed consolidated financial statements of the Group for the six-month period ended 30 June 2020.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no material impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Amendments to IFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021

In March 2021, the IASB amended IFRS 16 Leases, extending the practical expedient in order to permit lessees to apply it to rent concessions for which reductions in lease payments affect payments originally due on or before 30 June 2022. This amendment is applicable for annual reporting periods beginning on or after 1 April 2021, with early application permitted, including in financial statements not authorised for issue at 31 March 2021.

The Group, being a lessee, did not receive any rent concession during the period and accordingly not affected by this amendment.

4 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

The significant judgments made by management in applying the Group's the key sources of estimation uncertainty were the same as those described in the consolidated financial statements for the year ended 31 December 2020. However, as explained in note 5, the Group has also reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. Management believes that all sources of estimation uncertainty remain similar to those disclosed in the last annual consolidated financial statements. The Group will continue to monitor the situation, and any changes required will be reflected in future reporting periods.

5 SIGNIFICANT MATTERS DURING THE PERIOD

COVID-19 UPDATES

The outbreak of novel coronavirus (“COVID-19”) since early 2020, spread globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia, however, the Group managed to maintain its profitable position and generated net profit amounting to SR 93.8 million during the current period ended 30 June 2021 compared to SR 73.1 million during comparative period ended 30 June 2020. The COVID-19 pandemic, though impacted the economic activities and businesses across the world, has not impacted the economic activity and the Group’s business considering its customer base is represented by cement sector which was not affected significantly in Saudi Arabia.

Management is cognizant of the challenges that lie ahead and will continue proactively adapt in order to ensure optimum performance of the Group.

Management believes that the action combined with other strategies and operational measures taken by the Board of Directors, are realistic and reasonable and will effectively maintain the profitability of the Group and improve its ability to generate future profits and cash flows and continue its operations in the future period.

The impact of COVID-19 may continue to evolve, but at present time the projections demonstrate that the Group has sufficient resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2020. As a result, these consolidated financial statements continue to be prepared on a going concern basis.

The Group will continue to closely monitor the impact of COVID-19 as the situation progresses to manage the potential business disruption, COVID-19 outbreak may have its operational and financial performance in 2021.

6 SEGMENTAL REPORTING

The Group is engaged in one operating segment, i.e. manufacturing cement and operates entirely from the Kingdom of Saudi Arabia. Further, significant amount of liabilities of the Company are payable in Saudi Arabia. The financial information of the Subsidiary is not significant to Group’s interim condensed consolidated financial statements for segmental information.

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2021

7 PROPERTY, PLANT AND EQUIPMENT

	<i>Land</i>	<i>Right of use asset</i>	<i>Buildings</i>	<i>Plant, quarry, machinery and other equipment</i>	<i>Vehicles</i>	<i>Furniture and fixtures, and office equipment</i>	<i>Computers</i>	<i>Assets held for future use</i>	<i>Capital work in progress</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Cost:										
1 January	2,563	7,302	1,163,204	1,873,889	39,764	13,496	4,665	35,870	311	3,141,064
Additions during the period	-	-	-	16,199	455	87	44	4,494	14,539	35,818
Disposal	-	-	-	-	(172)	-	-	-	-	(172)
Transfer	-	-	-	1,713	-	-	-	(1,713)	-	-
Closing	2,563	7,302	1,163,204	1,891,801	40,047	13,583	4,709	38,651	14,850	3,176,710
Accumulated depreciation:										
1 January	-	(1,014)	(351,845)	(735,368)	(20,667)	(9,422)	(3,137)	-	-	(1,121,453)
Additions during the period	-	(263)	(10,059)	(24,371)	(1,074)	(216)	(114)	-	-	(36,097)
Disposal	-	-	-	-	172	-	-	-	-	172
Closing	-	(1,277)	(361,904)	(759,739)	(21,569)	(9,638)	(3,251)	-	-	(1,157,378)
Net book value: At 30 June 2021	2,563	6,025	801,300	1,132,062	18,478	3,945	1,458	38,651	14,850	2,019,332

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2021

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<i>Land</i>	<i>Right of</i>	<i>Buildings</i>	<i>Plant, quarry, machinery and other equipment</i>	<i>Vehicles</i>	<i>Furniture and fixtures, and office equipment</i>	<i>Computers</i>	<i>Assets held for future use</i>	<i>Capital work in progress</i>	<i>Total</i>
	<i>SR'000</i>	<i>use asset SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Cost:										
1 January	2,563	7,302	1,163,204	1,863,683	39,330	13,169	4,462	35,620	1,630	3,130,963
Additions during the period	-	-	-	7,679	1,275	327	203	948	510	10,942
Disposal	-	-	-	-	(841)	-	-	-	-	(841)
Transfer	-	-	-	2,527	-	-	-	(698)	(1,829)	-
Closing	2,563	7,302	1,163,204	1,873,889	39,764	13,496	4,665	35,870	311	3,141,064
Accumulated depreciation:										
1 January	-	(512)	(330,983)	(684,323)	(18,238)	(8,966)	(2,876)	-	-	(1,045,898)
Additions during the period	-	(502)	(20,862)	(51,045)	(3,017)	(456)	(261)	-	-	(76,143)
Disposal	-	-	-	-	588	-	-	-	-	588
Closing	-	(1,014)	(351,845)	(735,368)	(20,667)	(9,422)	(3,137)	-	-	(1,121,453)
Net book value:										
At 31 December 2020	2,563	6,288	811,359	1,138,521	19,097	4,074	1,528	35,870	311	2,019,611

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2021

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	<i>30 June 2021 SR'000 (Unaudited)</i>	<i>30 June 2020 SR'000 (Unaudited)</i>
Depreciation	36,097	37,607
Additions to property, plant and equipment	18,498	2,865
Movement in assets held for future use	2,781	234
Additions to capital work in progress	14,539	201

8 STORES, SPARE PARTS AND LOOSE TOOLS

	<i>30 June 2021 SR'000 (Unaudited)</i>	<i>31 December 2020 SR'000 (Audited)</i>
Consumables spare parts	119,242	117,982
Less: provision for slow moving items	(5,323)	(5,323)
	<u>113,919</u>	<u>112,659</u>

- 8.1** Capital spares held for future capital use amounting to SR 38.65 million (2020: SR 35.87 million) are classified within property, plant and equipment.

9 STOCK IN TRADE

	<i>30 June 2021 SR'000 (Unaudited)</i>	<i>31 December 2020 SR'000 (Audited)</i>
Work in process	66,873	102,268
Raw materials, fuel and packing materials	17,309	18,195
Finished goods	8,173	7,864
Fuel in transit	1,510	5,389
	<u>93,865</u>	<u>133,716</u>

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2021

10 TRADE RECEIVABLES

10.1 Trade Receivables

	<i>30 June 2021 SR'000 (Unaudited)</i>	<i>31 December 2020 SR'000 (Audited)</i>
Trade receivables	43,392	43,147
Less: provision for impairment	(11,907)	(11,650)
	31,485	31,497
Less: area incentives	(614)	(1,141)
	<u>30,871</u>	<u>30,356</u>

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

10.2 Movement in the provision for impairment is as follows:

	<i>30 June 2021 SR'000 (Unaudited)</i>	<i>31 December 2020 SR'000 (Audited)</i>
Balance at the beginning	11,650	11,357
Charged during the period / year	283	715
Written-off during the period / year	(26)	(422)
Balance at the end of the period / year	<u>11,907</u>	<u>11,650</u>

11 SHARE CAPITAL

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

12 LONG TERM FINANCING

12.1 Long-term borrowings

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

	<i>30 June 2021 SR'000 (Unaudited)</i>	<i>31 December 2020 SR'000 (Audited)</i>
Principal amount, beginning balance	329,500	400,000
Draw-down during the period / year	-	355,000
Less: repayments / redemptions during the period / year	(25,500)	(425,500)
Net principal amount	304,000	329,500
Accrued mark up for the period / year	473	542
	304,473	330,042
Less: Transferred to current liabilities	(51,473)	(51,542)
Balance at the end of the period / year	<u>253,000</u>	<u>278,500</u>

12 LONG TERM FINANCING (CONTINUED)

12.2 Tawarruq

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

Two multiple purpose facilities from Bank Al Jazira and Banque Saudi Fransi amounting to SR 50 million and 35 million respectively are also available to the Company and secured by promissory notes. These facilities are not yet utilized to date.

12.3 Loan covenants

The loans contain certain covenants. A future breach of covenants may lead to renegotiation. The covenants are monitored on a monthly basis by the management. In case of potential breach, actions are taken by the management to ensure compliance. During the period ended 30 June 2021, there has been no non-compliance of loan covenants.

All the above loans are Sharia compliant.

13 ZAKAT STATUS

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

	30 June 2021 SR'000 (Unaudited)	31 December 2020 SR'000 (Audited)
Balance at beginning of the period / year	8,721	19,241
Provided / (reversal) during the period / year	3,400	(4,130)
Paid during the period / year	(7,414)	(6,390)
Balance at the end of the period / year	4,707	8,721

Zakat for the period ended 30 June 2021 is calculated based on the management's estimate, which may not represent an accurate indication about zakat for the year ending 31 December 2021.

The Company has submitted its zakat returns with Zakat and Tax and Customs Authority ("the Authority") for the years up to 31 December 2020 and paid the zakat liabilities for those years due as per the returns. Zakat assessment has been finalized with the Authority until the year ended 31 December 2018. During the current period, the Company has received request for additional information for the years 2019 and 2020, the same was provided and under review with the Authority. However, no assessment order is issued to date for these years.

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2021

14 REVENUE, NET

14.1 Disaggregated revenue information

Segment	For the six-month period ended 30 June	
	2021 SR'000 (Unaudited)	2020 SR'000 (Unaudited)
Product type		
Cement	316,009	277,833
Total revenue	<u>316,009</u>	<u>277,833</u>
Customer type		
Corporate customers	316,009	277,833
Total revenue	<u>316,009</u>	<u>277,833</u>
Geographical markets		
Local	292,893	264,033
Export	23,116	13,800
Total revenue	<u>316,009</u>	<u>277,833</u>

14.2 Performance obligations - point in time

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

15 CONTINGENCIES AND COMMITMENTS

The Group was contingently liable for bank guarantees in the form of bills for collections issued in the normal course of the business amounting to SR 254 thousand as at 30 June 2021 (2020: SR 1,734 thousand).

16 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, Board of Directors, the Group's key management personnel and enterprises managed or significantly influenced by those parties. The following are the details of major-related parties' transactions during the six-month periods ended 30 June 2021:

Revenue

	30 June 2021 SR'000 (Unaudited)	30 June 2020 SR'000 (Unaudited)
Yaal Alarabeya Company	<u>165,000</u>	<u>740,050</u>

16 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Allowances and compensation of the Board of Directors and senior executives

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

Board of Directors and committees' compensation charged and accrued during the six-month period ended 30 June 2021 amounting to SR 400 thousand (30 June 2020: SR Nil).

Key management personnel compensation comprised the following:

	<i>30 June 2021 SR'000 (Unaudited)</i>	<i>30 June 2020 SR'000 (Unaudited)</i>
Short term employee benefits	4,825	3,250
Post-employment benefits	173	162
	<u>4,998</u>	<u>3,412</u>

17 DIVIDENDS

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

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2021

18 FINANCIAL INSTRUMENTS

18.1 Fair value measurements of financial instruments

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

30 June 2021							
	Carrying amount			Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Financial assets:							
Trade receivables	-	30,871	30,871	-	-	-	-
Cash and cash equivalents	-	143,463	143,463	-	-	-	-
	-	174,334	174,334	-	-	-	-
Financial liabilities:							
Long term financing	-	304,473	304,473	-	-	-	-
Trade payables	-	56,342	56,342	-	-	-	-
Accrued and other payables	-	13,159	13,159	-	-	-	-
	-	373,974	373,974	-	-	-	-
31 December 2020							
	Carrying amount			Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Financial assets:							
Trade receivables	-	30,356	30,356	-	-	-	-
Cash and cash equivalents	-	171,569	171,569	-	-	-	-
	-	201,925	201,925	-	-	-	-
Financial liabilities:							
Long term financing	-	330,042	330,042	-	-	-	-
Trade payables	-	45,025	45,025	-	-	-	-
Accrued and other payables	-	27,209	27,209	-	-	-	-
	-	402,276	402,276	-	-	-	-

19 APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were authorized for issue by the Company's board of directors on 03 August 2021 (corresponding to 24 Dhul-Hijjah 1442H).