

**NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) AND INDEPENDENT AUDITOR'S
LIMITED REVIEW REPORT FOR THE THREE
AND SIX-MONTHS PERIOD ENDED
JUNE 30, 2020**

**NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S
LIMITED REVIEW REPORT
FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2020**

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AlKharashi & Co.

Certified Accountants And Auditors

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the **Shareholders of Najran Cement Company**
(A Saudi Joint Stock Company)

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Najran Cement Company (A Saudi joint stock company) (the "Company") as at June 30, 2020 and the related interim condensed statements of profit or loss and the other comprehensive income for the Three and Six-months period then ended, and the related interim condensed statements of changes of shareholders' equity and cash flows for the Six-months period then ended, and a summary of significant accounting policies and other explanatory notes. The Company's management is responsible for the preparation and presentation of these Interim condensed financial statements in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

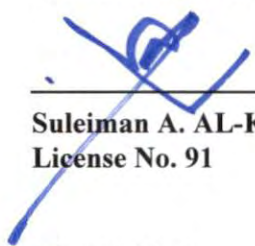
Scope of Review:

We conducted our review in accordance with the international standard on review engagements 2410, "Review of Interim Financial Information Performed by the Independents Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries primarily to 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 such an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard No. 34 endorsed in the Kingdom of Saudi Arabia.

AlKharashi & Co.


Suleiman A. AL-Kharashi
License No. 91



July 27, 2020
Dhu'l-Hijjah 6, 1441

Riyadh Main office:

P.O Box 8306 Riyadh 11482
Kingdom of Saudi Arabia
Tel.: 966 (11) 4784 009
Fax.: 966 (11) 4774 924

Jeddah Office:

P.O Box 13733 Jeddah 21414
Tel.: 966 (12) 6614 242
Fax.: 966 (12) 6681 450

Registration No. (536)
www.alkharashicaa.com
general@alkharashicaa.com

Correspondent of
 **MAZARS**

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020
(Expressed in '000 Saudi Riyals)

		June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	Notes		
ASSETS			
NON- CURRENT ASSETS			
Property, plant and equipment	5	2,050,643	2,085,065
Intangible assets		4,057	4,075
Total non current assets		2,054,700	2,089,140
CURRENT ASSETS:			
Store, spare parts and loose tools	6	114,172	112,657
Stock in trade	7	181,768	207,108
Trade receivables		32,788	33,469
Advances, prepayments and other receivables	8	21,707	19,802
Cash and cash equivalents	9	114,197	22,152
Total current assets		464,632	395,188
TOTAL ASSETS		2,519,332	2,484,328
EQUITY AND LIABILITIES:			
EQUITY:			
Share capital	1	1,700,000	1,700,000
Statutory reserve		108,411	108,411
Retained earnings		248,204	175,128
TOTAL EQUITY		2,056,615	1,983,539
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Provision for employees' terminal benefits	10	30,633	29,222
Non-current portion of lease liability		6,287	6,486
Long term financing	11	304,000	30,000
Total non current liabilities		340,920	65,708
CURRENT LIABILITIES:			
Provision for zakat		22,741	19,241
Current portion of lease liability		728	425
Current portion of long term financing	11	51,547	370,908
Advances from customers		6,315	4,232
Trade payables		28,596	22,929
Accrued and other payables		11,870	17,346
Total current liabilities		121,797	435,081
TOTAL LIABILITIES		462,717	500,789
TOTAL EQUITY AND LIABILITIES		2,519,332	2,484,328

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

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2020

(Expressed in '000 Saudi Riyals)

	For the three months period		For the six months period	
	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
Turnover - net	121,453	76,263	277,833	182,763
Cost of sales	(71,127)	(61,987)	(171,077)	(145,873)
Gross profit	50,326	14,276	106,756	36,890
Selling and distribution expense	(2,712)	(1,802)	(5,926)	(3,464)
General and administrative expense	(7,215)	(6,865)	(14,377)	(13,778)
Operating profit for the period	40,399	5,609	86,453	19,648
Finance cost	(5,887)	(6,827)	(10,404)	(13,867)
Other income	448	126	527	1,434
Net profit / (loss) for the period before zakat	34,960	(1,092)	76,576	7,215
Zakat expense	(2,000)	(1,500)	(3,500)	(3,750)
Net profit / (loss) for the period after zakat	32,960	(2,592)	73,076	3,465
Other Comprehensive Income				
Items that will not be reclassified to profit or loss	-	-	-	-
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income / (loss) For The Period	32,960	(2,592)	73,076	3,465
Basic earnings per share (SAR)				
Net income / (loss) for the period	0.19	(0.02)	0.43	0.02
Total comprehensive income / (loss) for the period	0.19	(0.02)	0.43	0.02
Weighted average number of ordinary shares (No: '000')	170,000	170,000	170,000	170,000

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

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020
(Expressed in '000 Saudi Riyals)

	Capital	Statutory Reserve	Retained Earnings	Total
As at January 01, 2019 (Audited)	1,700,000	103,059	130,569	1,933,628
Board of directors' remuneration	-	-	(100)	(100)
Net profit for the period	-	-	3,465	3,465
Balance as at June 30, 2019 (Unaudited)	<u>1,700,000</u>	<u>103,059</u>	<u>133,934</u>	<u>1,936,993</u>
Balance as at January 01, 2020 (Audited)	1,700,000	108,411	175,128	1,983,539
Net profit for the period	-	-	73,076	73,076
Balance as at June 30, 2020 (Unaudited)	<u>1,700,000</u>	<u>108,411</u>	<u>248,204</u>	<u>2,056,615</u>

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

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020
(Expressed in '000 Saudi Riyals)

	Notes	For the six months period ended June 30,	
		2020	2019
Cash flows from operating activities:			
Profit before zakat expense		76,576	7,215
Adjustments to reconcile net profit for the period to net cash generated from operational activities:			
Depreciation	5	37,607	37,891
Amortization		25	25
Write off of property, plant and equipment		115	-
Loss / (gain) on sale of property, plant and equipment		-	(5)
Provision for bad debts written back		(7)	(419)
Provision for potential claims		-	(1,404)
Provision for bad debts		-	1
Finance cost		10,404	13,867
Unwinding of discount on lease liabilities		103	-
Provision for employees' terminal benefits	10	1,900	2,408
Operating cash flow before working capital changes		126,723	59,579
Changes in operating assets and liabilities:			
Trade receivables		332	3,309
Store, spare parts and loose tools		(1,516)	1,990
Stock in trade		25,340	34,462
Prepayments and other receivables		(1,905)	(3,965)
Advances from customers		2,083	(336)
Trade payables		5,667	(5,199)
Accrued and other payables		(2,208)	(4,280)
Cash generated from operations		<u>154,516</u>	<u>85,560</u>
Finance charges paid		(10,766)	(13,932)
Zakat paid		-	(7,391)
End of service benefits paid	10	(489)	(850)
Net cash generated from operating activities		143,261	63,387
Cash flows from investing activities:			
Purchase of property, plant and equipment		(3,300)	(5,706)
Purchase of intangible assets		(6)	(45)
Proceeds from sale of property, plant and equipment		-	20
Net cash (used in) investing activities		(3,306)	(5,731)
Cash flows from financing activities:			
Proceeds from long term loans		355,000	-
Repayment of long term loans		(400,000)	(45,000)
Board of directors' remuneration paid		(2,910)	(3,050)
Net cash (used in) financing activities		(47,910)	(48,050)
Net change in cash and cash equivalents		92,045	9,606
Cash and cash equivalents at the beginning of the period		22,152	12,024
Cash and cash equivalents at the end of the period	9	114,197	21,630

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

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020
(Expressed in '000 Saudi Riyals)

1. CORPORATE INFORMATION:

Najran Cement Company ("the Company") is a Saudi Joint Stock Company which was registered on Ramadan 5, 1426 (corresponding to October 9, 2005) under Commercial Registration number 5950010479. On Shaaban 10, 1437 (corresponding to May 17, 2016), the Company was granted an Industrial License, number 2446. The principal activities of the Company are manufacturing of ordinary Portland cement and cement resistant to salts.

The share capital of the Company is SAR 1,700,000,000 divided into 170 million shares of SAR ten per share. The Company's financial year starts on January 1 each Gregorian year and ends on December 31 of the same year.

In response to the spread of the Covid-19 in GCC and other territories where Company operates and its resulting disruptions to the social and economic activities in those markets, Management has proactively assessed its impacts on its operations and has taken a series of preventive measures, to ensure the health and safety of its employees, customers, and wider community as well as to ensure the continuity of supply of its products throughout its markets. Company has considered the effect of the lockdown on effectiveness of the controls during the period under review, on supply chain disruption and on its binding contracts. Company has also reviewed the impact on underlying judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Company has further assessed the appropriateness of going concern assumption for the reporting period. Notwithstanding these challenges, the Company's operations currently remain largely unaffected. Based on these factors, Management believes that the Covid-19 pandemic has had no material effects on Company's reported financial results for the period ended 30 June 2020. The Company continues to monitor the situation closely.

2. STATEMENT OF COMPLIANCE:

These Condensed Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting Standard as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ('SOCPA'). Approved accounting standards comprise of such International Financial reporting standards (IFRS) issued by the International Accounting Standards Board as are notified by SOCPA.

The disclosures in this condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements of the Company for the year ended December 31, 2019. Comparative condensed interim statement of financial position is extracted from annual financial statements as at December 31, 2019 whereas comparative condensed interim statement of profit or loss account and other comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from unaudited condensed interim financial information of the Company for the period ended June 30, 2019.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020
(Expressed in '000 Saudi Riyals)

3. FUNCTIONAL AND PRESENTATION CURRENCY:

These Financial Statements are presented in Saudi Riyal ("SAR"), which is the Company's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2019. However, some of the main accounting policies are highlighted below.

4.1 Basis of preparation

These condensed interim financial statements have been prepared on a going concern basis under historical cost convention except for the Provision for employees' terminal benefits which are recorded at the present value of future obligations under Projected Unit Credit Method.

4.2 Use of estimation and judgments

The preparation of the accompanying IFRS financial statements, in conformity with IFRS as endorsed in Kingdom of Saudi Arabia and other standards pronouncements issued by SOCPA, requires the use of judgements, estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well disclosure of certain contingent assets and liabilities as at the date of the condensed interim statements of financial position date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of revision and future years if the revision affects both current and future years.

The significant areas of estimation uncertainty and critical adjustments in applying accounting policies that have most significant effect on the amounts recognized in the accompanying financial statements have remained the same form last year annual financial statements which are as follows:

- Provisions for doubtful debts and slow-moving inventory;
- Estimated useful lives and residual values of property, plant and equipment;
- Provisions and accruals.
- Defined benefit obligations – Employees' benefits

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

4.2 Use of estimation and judgments (Continued):

However, as explained in Note 1 above, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual Financial Statements against the backdrop of the Covid-19 pandemic. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

Provision for expected credit losses (ECLs) were estimated based on a range of forecast economic conditions as at June 30, 2020 and considering that the situation is fast evolving, the Company had taken the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. The Company updated the relevant forward-looking information with respect to the weightings of the relevant macroeconomic scenarios relative to the economic climate of the market in which it operates.

4.3 New standards, amendments to standards and interpretations:

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2020 and shall be explained in Company's annual Financial Statements, but they do not have a material effect on the Company's Condensed Interim Financial Statements.

NAJRAN CEMENT COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020
(Expressed in '000 Saudi Riyals)

5. PROPERTY, PLANT AND EQUIPMENT:

	Land	Land Lease (Right of use asset)	Buildings	Plant, quarry, machinery and other equipment	Vehicles	Furniture and fixtures, and office equipment	Computers	Assets held for future use (strategic)	Capital work in progress	Total
Cost:										
At January 1, 2020 (Audited)	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	-	-	-	2,068	438	119	184	290	201	3,300
Write off during the period	-	-	-	-	(379)	-	-	-	-	(379)
Transfers during the period	-	-	-	56	-	-	-	(56)	-	-
At June 30, 2020 (unaudited)	<u>2,563</u>	<u>7,302</u>	<u>1,163,204</u>	<u>1,865,807</u>	<u>39,389</u>	<u>13,288</u>	<u>4,646</u>	<u>35,854</u>	<u>1,831</u>	<u>3,133,884</u>
Accumulated Depreciation:										
At January 1, 2020 (Audited)	-	512	330,983	684,323	18,238	8,966	2,876	-	-	1,045,898
Charge for the period	-	263	10,374	25,293	1,327	224	126	-	-	37,607
Write off during the period	-	-	-	-	(264)	-	-	-	-	(264)
At June 30, 2020 (unaudited)	<u>-</u>	<u>775</u>	<u>341,357</u>	<u>709,616</u>	<u>19,301</u>	<u>9,190</u>	<u>3,002</u>	<u>-</u>	<u>-</u>	<u>1,083,241</u>
Net Book Value:										
At June 30, 2020 (unaudited)	<u>2,563</u>	<u>6,527</u>	<u>821,847</u>	<u>1,156,191</u>	<u>20,088</u>	<u>4,098</u>	<u>1,644</u>	<u>35,854</u>	<u>1,831</u>	<u>2,050,643</u>
At December 31, 2019 (Audited)	<u>2,563</u>	<u>6,790</u>	<u>832,221</u>	<u>1,179,360</u>	<u>21,092</u>	<u>4,203</u>	<u>1,586</u>	<u>35,620</u>	<u>1,630</u>	<u>2,085,065</u>

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FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020
(Expressed in '000 Saudi Riyals)

6. STORES, SPARE PARTS AND LOOSE TOOLS:

	<u>June 30,</u> <u>2020</u> <u>(Un audited)</u>	<u>December 31,</u> <u>2019</u> <u>(Audited)</u>
Consumables spare parts	118,172	116,657
Less: provision for slow moving items	(4,000)	(4,000)
Net balance	<u>114,172</u>	<u>112,657</u>

6.1 Strategic spares held for future capital use amounting to SR 35,854 (2019: SR 35,620) are classified within property, plant and equipment.

7. STOCK IN TRADE:

	<u>June 30,</u> <u>2020</u> <u>(Un audited)</u>	<u>December 31,</u> <u>2019</u> <u>(Audited)</u>
Raw materials, fuel and packing materials	22,221	15,329
Work in process	153,166	185,158
Finished goods	6,381	6,621
Total	<u>181,768</u>	<u>207,108</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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8. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES:

	June 30, 2020 (Un audited)	December 31, 2019 (Audited)
Advances to suppliers	6,265	5,827
Prepaid expenses	11,651	9,758
Refundable custom duties - net	1,628	1,514
Other receivables	2,163	2,703
Total	21,707	19,802

9. CASH AND CASH EQUIVALENTS:

	June 30, 2020 (Un audited)	December 31, 2019 (Audited)
Cash in hand	304	357
Current accounts at banks	53,893	11,795
Short term murabaha deposit	60,000	10,000
Total	114,197	22,152

Cash at bank includes unclaimed dividends of SR 1,008 (2019: SR 1,008).

10. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS:

The movement in provision for end-of-service benefits is as follows:

	June 30, 2020 (Un audited)	December 31, 2019 (Audited)
Balance at beginning of the period / year	29,222	25,629
Current service cost	1,900	3,285
Interest cost	-	1,143
Amount recognised in profit or loss account	1,900	4,428
Re-measurement loss / (gain) recognized in other comprehensive income	-	604
Benefits paid during the period / year	(489)	(1,439)
Balance at the end of the period / year	30,633	29,222

NAJRAN CEMENT COMPANY
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(Expressed in '000 Saudi Riyals)

11. LONG TERM FINANCING:

	Bank AlJazira	Banque Saudi Fransi	SUKUK	Total
	Note 11.1 (a)	Note 11.1 (b)	Note 11.2	
Principal amount as of January 01, 2020 - audited	-	45,000	355,000	400,000
Add: new loans received	355,000	-	-	355,000
	355,000	45,000	355,000	755,000
Less: pre-settlements / payments / redemptions during the period	-	(45,000)	(355,000)	(400,000)
Net principal amount	355,000	-	-	355,000
Accrued mark up for the period	547	-	-	547
Total loan liability	355,547	-	-	355,547
Less: transferred to current liabilities	(51,547)	-	-	(51,547)
Balance as of June 30, 2020 (long term portion) - unaudited	304,000	-	-	304,000

11.1 (a) Tawarroq:

The Company has signed sharia compliant credit facility with Bank Al-Jazira for total amount of SR 355,000 to redeem in full the Sukuk due in June 2020. The loan facility is to be repaid in semi-annual installments in five years. Facility carries mark up rate of 1.40 % plus Sibor. The facility is secured by first charge for insurance proceeds on company's plant and equipment and an order note to the amount of actual drawdown. The amount of the facility was drawn in full in June 2020.

11.1 (b) Tawarroq:

Outstanding loan amount against Specific facility for waste heat recovery project representing installments due in December 2020, March 2021 and June 2021 was presettled in June 2020.

In addition, a multiple purpose cash facility of SR 35,000 is also available but not utilized by the Company. These facilities are secured by, inter alia, an order note.

11.2 Sukuk:

The Company has successfully redeemed the outstanding Sukuk in full with a total value of SR 355,000. The statutory process of extinguishing rights of the Sukuk holders against the issue was taken care of by the Sukuk holders' agent and payment administrator.

All the above mentioned facilities are sharia compliant. The above mentioned loans contain certain covenants which are monitored on a monthly basis by management. A potential or future breach of covenants may lead to renegotiation and management proactively ensures appropriate actions taken. During the period ended 30 June 2020, there has been no non-compliance for any of the covenants.

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(Expressed in '000 Saudi Riyals)

12. SUBSEQUENT EVENTS:

In the opinion of the management, there have been no significant subsequent events since the period-end that require disclosure or adjustment in these Interim Condensed Financial Statements.

13. SEGMENTAL REPORTING:

The Company operates in one trading segment and all sales are within the Kingdom of Saudi Arabia. Further, significant amount of liabilities of the company is payable in Saudi Arabia.

14. CONTINGENT LIABILITES:

As of June 30, 2020, the Company had commitments in the form of letters of credit and bills for collection amounting to SR 3,124 (2019: NIL).

15. BOARD OF DIRECTORS APPROVAL:

These condensed interim financial statements were approved by the Board of Directors of the Company on July 26, 2020.