



NAJIRAN CEMENT COMPANY

(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AND REVIEW REPORT**

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

NAJRAN CEMENT COMPANY

(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021**

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

To the Shareholders
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") as at March 31, 2021 and the related interim condensed consolidated statements of profit or loss and the other comprehensive income for the three-months period then ended, and the related interim condensed consolidated statements of changes of shareholders' equity and cash flows for the three-months period then ended, and a summary of significant accounting policies and other explanatory notes. The Group's management is responsible for the preparation and presentation of these Interim condensed consolidated 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 consolidated 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 consolidated 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.



Sulaiman A. AL-Kharashi
 License No. 91

May 03, 2021
 Ramadan 21, 1442



NAJHRAN CEMENT COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 March 2021

	<i>Note</i>	<i>March 31, 2021</i>	<i>December 31, 2020</i>
		<i>SR '000</i>	<i>SR '000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	8	2,012,861	2,019,611
Intangible assets		4,068	4,071
Total non-current assets		2,016,929	2,023,682
Current assets			
Store, spare parts and loose tools	10	115,671	112,659
Stock in trade	11	99,453	133,716
Trade receivables	7	30,126	30,356
Advances, prepayments and other receivables		45,038	46,780
Cash and cash equivalents		283,728	171,569
Total current assets		574,016	495,080
TOTAL ASSETS		2,590,945	2,518,762
LIABILITIES AND EQUITY			
Equity			
Share capital	14	1,700,000	1,700,000
Statutory reserve		128,841	128,841
Retained earnings		159,921	227,080
Total equity		1,988,762	2,055,921
Non-current liabilities			
Provision for employees' terminal benefits		34,295	33,438
Non-current portion of lease liability		6,047	6,047
Long term financing	9	278,500	278,500
Total non-current liabilities		318,842	317,985
Current liabilities			
Provision for zakat		10,671	8,721
Current portion of lease liability		240	439
Current portion of long term financing	9	53,419	51,542
Advances from customers		5,795	6,467
Trade payables		46,520	45,025
Dividend payable		128,606	1,107
Accrued and other payables		38,090	31,555
Total current liabilities		283,341	144,856
Total liabilities		602,183	462,841
TOTAL LIABILITIES AND EQUITY		2,590,945	2,518,762

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

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

	Note	For the three-month period ended	
		March 31,	
		2021	2020
		SR '000	SR '000
		(Unaudited)	(Unaudited)
Revenue, net	12	184,431	156,380
Cost of revenue		(109,041)	(99,949)
Gross profit		75,390	56,431
Selling and distribution expense		(3,285)	(3,214)
General and administrative expense		(8,249)	(7,162)
Operating profit		63,856	46,055
Finance costs		(1,926)	(4,517)
Other income		761	79
Income before zakat		62,691	41,617
Zakat		(1,950)	(1,500)
PROFIT FOR THE PERIOD		60,741	40,117
Earning per share			
Earning per share attributable to the shareholders of the Company:			
Basic (SR)		0.36	0.24
Diluted (SR)		0.36	0.24
Weighted average number of shares outstanding:			
Basic ('000 shares)		170,000	170,000
Diluted ('000 shares)		170,000	170,000

The accompanying notes 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
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021**

	<i>For the three-month period ended March31,</i>	
	<i>Note</i>	
	<u>2021</u>	<u>2020</u>
	<u>SR '000</u>	<u>SR '000</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
PROFIT FOR THE PERIOD	<u>60,741</u>	<u>40,117</u>
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	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>60,741</u></u>	<u><u>40,117</u></u>



The accompanying notes 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
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021**

	<i>Note</i>	<i>Share capital</i> <i>SR '000</i>	<i>Statutory reserve</i> <i>SR '000</i>	<i>Retained earnings</i> <i>SR '000</i>	<i>Total</i> <i>SR '000</i>
2021:					
As January 1, 2021 (audited)		1,700,000	128,841	227,080	2,055,921
Profit for the period		-	-	60,741	60,741
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	60,741	60,741
Dividends	15	-	-	(127,500)	(127,500)
Board of directors remuneration		-	-	(400)	(400)
BALANCE AS AT MARCH 31, 2021 (unaudited)		1,700,000	128,841	159,921	1,988,762
2020:					
As January 1, 2020 (audited)		1,700,000	108,411	175,128	1,983,539
Profit for the period		-	-	40,117	40,117
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	40,117	40,117
BALANCE AS AT MARCH 31, 2020 (unaudited)		1,700,000	108,411	215,245	2,023,656

NAJHRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
	<u>SR '000</u>	<u>SR '000</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING ACTIVITIES		
Profit for the period	62,691	41,617
<i>Adjustments for non-cash items:</i>		
Depreciation	17,865	18,786
Amortization	4	12
Gain on sale of property, plant and equipment	-	115
Provision for bad debts	-	43
Finance cost	1,926	4,517
Unwinding of discount on lease liabilities	52	52
Provision for employees' terminal benefits	1,022	979
	<u>83,560</u>	<u>66,121</u>
<i>Changes in working capital:</i>		
Trade receivables	306	2,309
Store, spare parts and loose tools	(3,013)	681
Stock in trade	34,264	26,281
Prepayments and other receivables	1,741	(3,199)
Advances from customers	(671)	1,256
Trade payables	1,497	2,289
Accrued and other payables	9,806	8,870
	<u>127,490</u>	<u>104,608</u>
Finance costs paid	-	(4,687)
End of service benefits paid	(165)	(313)
Net cash generated from operating activities	<u>127,325</u>	<u>99,608</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,728)	(1,092)
Payments against projects	(3,387)	-
Net cash used in investing activities	<u>(11,115)</u>	<u>(1,092)</u>
FINANCING ACTIVITIES		
Payment of lease liability	(300)	-
Dividends paid	(1)	-
Board of directors' remuneration	(3,750)	-
Net cash used in financing activities	<u>(4,051)</u>	<u>-</u>
Net change in cash and cash equivalents	<u>112,159</u>	<u>98,516</u>
Cash and cash equivalents at the beginning of the period	<u>171,569</u>	<u>22,152</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>283,728</u>	<u>120,668</u>
<i>Non-cash transaction:</i>		
Movements in spare parts held for capital use (strategic)	<u>(1,017)</u>	<u>-</u>

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

NAJRAN CEMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

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

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 Certified Public Accountants ("SOCPA") and should be read in conjunction with the Group's last annual Consolidated Financial Statements for the year ended December 31, 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, 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 December 31, 2020.

These interim condensed consolidated 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 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 December 31, 2020. Comparative interim condensed consolidated statement of financial position is extracted from annual financial statements as at December 31, 2020 whereas comparative interim condensed consolidated statement of profit or loss account and other comprehensive income , interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity are extracted from unaudited interim condensed consolidated financial statements of the Group for the three-month period ended March 31, 2020.

3.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO STANDARDS

There are no new standards issued , however, there are number of amendments to standards which are effective from January 1, 2021 and has been explained in Group annual consolidated financial statements , but they do not have a material effect on the Group's interim condensed consolidated financial statements.

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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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 interim condensed consolidated financial statements are as follows:

- a) Uncertain zakat and tax positions.
- b) Impairment of property, plant and equipment.
- c) Impairment of equity accounted investments.

NAJRAN CEMENT COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021****7 TRADE RECEIVABLES****7.1 Trade Receivables**

	<i>March 31, 2021</i>	<i>December 31, 2020</i>
	<u>SR'000</u>	<u>SR'000</u>
Trade receivables	42,842	43,147
Less: provision for impairment	<u>(11,650)</u>	<u>(11,650)</u>
	31,192	31,497
Less: area incentives	<u>(1,066)</u>	<u>(1,141)</u>
	<u><u>30,126</u></u>	<u><u>30,356</u></u>

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

7.2 Movement in the provision for impairment is as follows:

	<i>March 31, 2021</i>	<i>December 31, 2020</i>
	<u>SR'000</u>	<u>SR'000</u>
Balance at the beginning	11,650	11,357
Additions	-	715
Write-offs/reversals	-	(422)
Balance at the end of the period	<u><u>11,650</u></u>	<u><u>11,650</u></u>

NAJRAN CEMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

8 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 (strategic)</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	-	-	-	5,815	200	27	11	1,675	3,387	11,115
Transfer	-	-	-	658	-	-	-	(658)	-	-
Closing	2,563	7,302	1,163,204	1,880,362	39,964	13,523	4,676	36,887	3,698	3,152,179
Accumulated depreciation:										
1 January	-	(1,014)	(351,845)	(735,368)	(20,667)	(9,422)	(3,137)	-	-	(1,121,453)
Additions during the period	-	(131)	(5,002)	(12,038)	(530)	(107)	(57)	-	-	(17,865)
Closing	-	(1,145)	(356,847)	(747,406)	(21,197)	(9,529)	(3,194)	-	-	(1,139,318)
Net book value:										
At March 31, 2021	2,563	6,157	806,357	1,132,956	18,767	3,994	1,482	36,887	3,698	2,012,861
At December 31, 2020	2,563	6,288	811,359	1,138,521	19,097	4,074	1,528	35,870	311	2,019,611

NAJLAN CEMENT COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021****9 BORROWINGS****9.1 LONG-TERM BORROWINGS**

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

	<i>March 31, 2021</i>	<i>December 31, 2020</i>
	<i>SR'000</i>	<i>SR'000</i>
Principal amount, beginning balance	329,500	400,000
Draw-down during the year	-	355,000
Accrued mark up	542	-
	330,042	755,000
Less: repayments/ redemptions during the period	-	(425,500)
Net principal amount	330,042	329,500
Accrued mark up for the quarter	1,877	542
	331,919	330,042
Less: Transferred to current liabilities	(53,419)	(51,542)
Balance as of March 31, 2021 (long term portion) - unaudited	278,500	278,500

During the year ended December 31, 2020, the Company recorded repayments amounting to SR 425.5 million made to loans from commercial banks.

9.2 Tawarruq

The Company signed financing agreement for SR 355 million to redeem in full the Sukuk due in June 2020. The loan is repayable in five years through ten semi annual instalments and bears a mark up rate of 1.40 % plus Sibor. The amount is secured by first charge for insurance proceeds on company plant and equipment and an promissory note to the amount of actual drawdown. The amount of the facility was drawn in full.

Two multiple purpose facilities for an aggregate amount of SR 85 million are also available to the Company secured by promissory notes.

The carrying values of the long-term borrowings are denominated in the following currencies:

	<i>March 31, 2021</i>	<i>December 31, 2020</i>
	<i>SR'000</i>	<i>SR'000</i>
Saudi Riyals	278,500	278,500
	278,500	278,500

Borrowings presented in the interim condensed consolidated statement of financial position comprise the following:

	<i>March 31, 2021</i>	<i>December 31, 2020</i>
	<i>SR'000</i>	<i>SR'000</i>
Current portion shown under current liabilities	53,419	51,542
Non-current portion shown under non-current liabilities	278,500	278,500
	331,919	330,042

All of the above-mentioned loans are Sharia compliant loans.

9.3 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 management. In case of potential breach, actions are taken by management to ensure compliance. During the period ended 31 March 2021, there has been no non-compliance with any of the covenants.

10 STORES, SPARE PARTS AND LOOSE TOOLS

	<i>March 31, 2021</i>	<i>December 31, 2020</i>
	<i>SR'000</i>	<i>SR'000</i>
Spare parts - not for sale	120,994	117,982
Less: Provision for slow moving items	(5,323)	(5,323)
	115,671	112,659

NAJRAN CEMENT COMPANY

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021**

10.1 Capital spares held for future capital use amounting to SR 36.89 million (2020: SR 35.87 million) are classified within property, plant and equipment.

11 INVENTORIES

	<i>March 31,</i> <i>2021</i>	<i>December 31,</i> <i>2020</i>
	<i>SR'000</i>	<i>SR'000</i>
Work in process	74,080	102,268
Raw materials, fuel and packing materials	15,571	18,195
Finished goods	6,919	7,864
Fuel in transit	2,883	5,389
	<u>99,453</u>	<u>133,716</u>

**12 REVENUE, NET
DISAGGREGATED REVENUE INFORMATION**

<u>Segment</u>	<i>For the three-month period ended March 31,</i>	
	<i>2021</i>	<i>2020</i>
Type of goods or service	SR '000	SR '000
Cement	184,431	156,380
Total revenue	<u>184,431</u>	<u>156,380</u>
Type of customer		
Government and quasi-government customers	-	-
Corporate customers	184,431	156,380
Total revenue	<u>184,431</u>	<u>156,380</u>
Geographical markets		
Local	173,599	148,046
Export	10,832	8,334
Total revenue	<u>184,431</u>	<u>156,380</u>

13 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 1,629 thousand at March 31, 2021 (2020: SR 206 thousand).

14 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. (December 31, 2020: 170 million ordinary shares stated at SR 10 per share).

15 DIVIDENDS

The shareholders of the Company, in their General Assembly held on March 31, 2021 (corresponding to Shaaban 18, 1442H), approved a final dividend of SR 127,500 (75 Halala per share) (2020: SR nil) that was paid on April 13, 2021 (corresponding to Ramadan 1, 1442H).

16 DATE OF AUTHORIZATION:

These interim condensed consolidated financial statements were authorized for issue by the Company's board of directors on May 3, 2021 (corresponding to Ramadan 21, 1442H).