

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

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

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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 September 30, 2020 and the related interim condensed statements of profit or loss and the other comprehensive income for the three and nine-months period then ended, and the related interim condensed statements of changes of shareholders' equity and cash flows for the nine-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 Independent 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.

Al-Kharashi & Co.


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Riyadh:
Rabi I 9, 1442 H
October 26, 2020 G



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


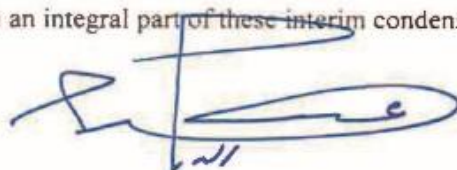
	Notes	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<u>ASSETS</u>			
<u>NON- CURRENT ASSETS</u>			
Property, plant and equipment	5	2,033,979	2,085,065
Intangible assets		4,084	4,075
Total non current assets		2,038,063	2,089,140
<u>CURRENT ASSETS:</u>			
Store, spare parts and loose tools	6	113,032	112,657
Stock in trade	7	159,344	207,108
Trade receivables		31,655	33,469
Advances, prepayments and other receivables	8	33,949	19,802
Cash and cash equivalents	9	201,406	22,152
Total current assets		539,386	395,188
TOTAL ASSETS		2,577,449	2,484,328
<u>EQUITY AND LIABILITIES:</u>			
<u>EQUITY:</u>			
Share capital	1	1,700,000	1,700,000
Statutory reserve		108,411	108,411
Retained earnings		295,614	175,128
TOTAL EQUITY		2,104,025	1,983,539
<u>LIABILITIES:</u>			
<u>NON-CURRENT LIABILITIES:</u>			
Provision for employees' terminal benefits	10	32,545	29,222
Non-current portion of lease obligations		6,288	6,486
Long term financing	11	304,000	30,000
Total non current liabilities		342,833	65,708
<u>CURRENT LIABILITIES:</u>			
Provision for zakat		18,351	19,241
Current portion of lease obligations		480	425
Current portion of long term financing	11	53,833	370,908
Advances from customers		6,140	4,232
Trade payables		30,377	22,929
Accrued and other payables		21,410	17,346
Total current liabilities		130,591	435,081
TOTAL LIABILITIES		473,424	500,789
TOTAL EQUITY AND LIABILITIES		2,577,449	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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020
(Expressed in '000 Saudi Riyals)

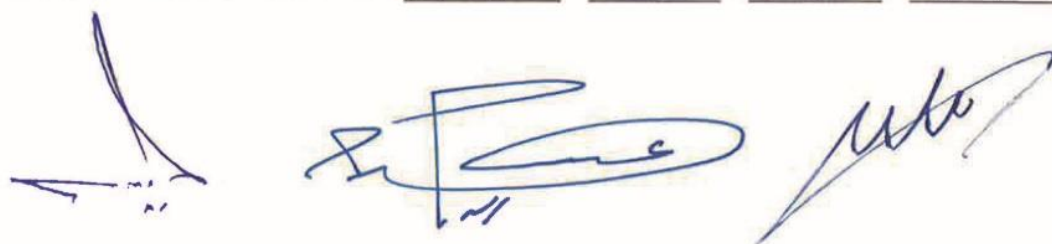
	For the three months period ended		For the nine months period ended	
	September 30,	September 30,	September 30,	September 30,
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover - net	158,954	97,232	436,787	279,995
Cost of sales	(96,934)	(67,317)	(268,011)	(213,189)
Gross profit	62,020	29,915	168,776	66,806
Selling and distribution expense	(3,960)	(1,679)	(9,887)	(5,144)
General and administrative expense	(6,492)	(6,278)	(20,869)	(20,056)
Operating profit for the period	51,568	21,958	138,020	41,606
Finance cost	(2,366)	(6,389)	(12,770)	(20,255)
Other income	208	65	736	1,499
Net profit for the period before zakat	49,410	15,634	125,986	22,850
Zakat expense	(2,000)	(1,500)	(5,500)	(5,250)
Net profit for the period after zakat	47,410	14,134	120,486	17,600
Other Comprehensive Income				
Items that will not be reclassified to profit or loss	-	-	-	-
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income For The Period	47,410	14,134	120,486	17,600
Basic earnings per share (SAR)				
Net Income for the period	0.28	0.08	0.71	0.10
Total comprehensive Income for the period	0.28	0.08	0.71	0.10
Weighted average number of ordinary shares	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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020
(Expressed in '000 Saudi Riyals)

	<u>Capital</u>	<u>Statutory Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
As at January 01, 2019 (Audited)	1,700,000	103,059	130,569	1,933,628
Net profit for the period	-	-	17,600	17,600
Directors' remuneration	-	-	(100)	(100)
Balance as at September 30, 2019 (Unaudited)	<u>1,700,000</u>	<u>103,059</u>	<u>148,069</u>	<u>1,951,128</u>
Balance as at January 01, 2020 (Audited)	1,700,000	108,411	175,128	1,983,539
Directors' remuneration	-	-	-	-
Net profit for the period	-	-	120,486	120,486
Balance as at September 30, 2020 (Unaudited)	<u>1,700,000</u>	<u>108,411</u>	<u>295,614</u>	<u>2,104,025</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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020
(Expressed in '000 Saudi Riyals)

		For the nine months period ended September 30,	
	Notes	2020	2019
Cash flows from operating activities:			
Profit before zakat expense		125,986	22,850
Adjustments to reconcile net profit for the period to net cash generated from operational activities:			
Depreciation	5	56,994	57,250
Amortization		36	37
Loss / (gain) on sale of property, plant and equipment		253	(14)
Provision for obsolescence		1,500	-
Provision for bad debts written back		-	(417)
Provision for potential claims		-	(1,404)
Provision for bad debts		715	-
Finance cost		12,770	20,255
Unwinding of discount on lease liabilities		156	-
Provision for employees' terminal benefits	10	4,158	3,332
Operating cash flow before working capital changes		202,568	101,889
Changes in operating assets and liabilities:			
Trade receivables		935	935
Store, spare parts and loose tools		(1,875)	3,303
Stock in trade		47,764	41,466
Prepayments and other receivables		(14,149)	(3,667)
Advance from customers		1,909	(475)
Trade payables		7,450	(2,674)
Accrued and other payables		7,138	(1,259)
Cash generated from operations:		251,740	139,518
Finance charges paid		(10,845)	(20,368)
Zakat paid		(6,390)	(7,391)
End of service benefits paid	10	(835)	(1,033)
Net cash generated from operating activities		233,670	110,726
Cash flows from investing activities:			
Purchase of property, plant and equipment		(5,644)	(11,719)
Additions to the intangible assets		(45)	(45)
Movements in spare parts held for capital use (strategic)		(290)	(115)
Addition to capital work in progress - net		(227)	-
Proceeds from sale of property, plant and equipment		-	272
Net cash (used in) investing activities		(6,206)	(11,607)
Cash flows from financing activities:			
Proceeds from loans and borrowings		355,000	-
Repayment of long term debts		(400,000)	(90,000)
Lease repayments		(300)	-
Board of directors' remuneration paid		(2,910)	(3,050)
Net cash (used in) financing activities		(48,210)	(93,050)
Net increase in cash and cash equivalents		179,254	6,069
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	201,406	18,093

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 NINE MONTHS PERIOD ENDED SEPTEMBER 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 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, consumers 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 September 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, condensed interim statement of 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 September 30, 2019.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 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:

4.1 Basis of preparation

These 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 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 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
- Revenue recognition – judgements in respect of nature and timings of the satisfaction of performance obligation including significant payment terms and related revenue recognition policies. This results in decision on whether revenue is to be recognised overtime or at appoint in time

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 September 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 and standards issued and effective:

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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020
(Expressed in '000 Saudi Riyals)

5. PROPERTY, PLANT AND EQUIPMENT:

	Land	Land lease (right to use assets)	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	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	-	-	-	4,439	878	124	203	290	227	6,161
Disposals during the period	-	-	-	-	(841)	-	-	-	-	(841)
Transfers during the period	-	-	-	698	-	-	-	(698)	-	-
At September 30, 2020 (unaudited)	<u>2,563</u>	<u>7,302</u>	<u>1,163,204</u>	<u>1,868,820</u>	<u>39,367</u>	<u>13,293</u>	<u>4,665</u>	<u>35,212</u>	<u>1,857</u>	<u>3,136,283</u>
Accumulated Depreciation:										
At January 1, 2020	-	512	330,983	684,323	18,238	8,966	2,876	-	-	1,045,898
Charge for the period	-	396	15,619	38,126	2,322	338	193	-	-	56,994
Disposals during the period	-	-	-	-	(588)	-	-	-	-	(588)
At September 30, 2020 (unaudited)	<u>-</u>	<u>908</u>	<u>346,602</u>	<u>722,449</u>	<u>19,972</u>	<u>9,304</u>	<u>3,069</u>	<u>-</u>	<u>-</u>	<u>1,102,304</u>
Net Book Value:										
At September 30, 2020 (unaudited)	<u>2,563</u>	<u>6,394</u>	<u>816,602</u>	<u>1,146,371</u>	<u>19,395</u>	<u>3,989</u>	<u>1,596</u>	<u>35,212</u>	<u>1,857</u>	<u>2,033,979</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>

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

6. STORES, SPARE PARTS AND LOOSE TOOLS:

	September 30, 2020 <u>(Unaudited)</u>	December 31, 2019 <u>(Audited)</u>
Spare parts - not for sale	118,532	116,657
Less: provision for slow moving items and clinker stock handling	<u>(5,500)</u>	<u>(4,000)</u>
Net balance	<u>113,032</u>	<u>112,657</u>

6.1 Strategic spares held for future capital use amounting to SR 35,212 (2019: SR 35,620) are classified within property, plant and equipment.

7. STOCK IN TRADE:

	September 30, 2020 <u>(Unaudited)</u>	December 31, 2019 <u>(Audited)</u>
Raw materials, fuel and packing materials	21,220	15,329
Work in process	132,249	185,158
Finished goods	5,875	6,621
Total	<u>159,344</u>	<u>207,108</u>

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

8. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Advances to suppliers	19,025	5,827
Prepaid expenses	9,859	9,758
Refundable custom duties	1,439	1,514
Other receivables	3,626	2,703
Total	33,949	19,802

9. CASH AND CASH EQUIVALENTS:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash in hand	453	357
Current accounts at banks	40,953	11,795
Short term investments	160,000	10,000
Total	201,406	22,152

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

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

10. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS:

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

	<u>September 30,</u> <u>2020</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2019</u> <u>(Audited)</u>
Balance at beginning of the period / year	29,222	25,629
Current service cost	4,158	3,285
Interest cost	-	1,143
Amount recognised in profit or loss account	4,158	4,428
Re-measurement loss recognized in other comprehensive income	-	604
Benefits (paid) during the period / year	(835)	(1,439)
Balance at the end of the period / year	32,545	29,222

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

11. LONG TERM FINANCING:

	Bank Al Jazira	Banque Saudi Fransi	SUKUK	
	Note 11.1 (a)	Note 11.1 (b)	Note 11.2	Total
Principal amount as of January 01, 2020 - (audited)	-	45,000	355,000	400,000
Add: draw downs during the period	355,000	-	-	355,000
	355,000	45,000	355,000	755,000
Less: early settlements / redemptions / repayments during the period	-	(45,000)	(355,000)	(400,000)
Net principal amount	355,000	-	-	355,000
Accrued mark up for the period	2,833	-	-	2,833
Total loan liability	357,833	-	-	357,833
Less: transferred to current liabilities	(53,833)	-	-	(53,833)
Balance as of September 30, 2020 (long term portion) - (unaudited)	304,000	-	-	304,000

11.1 (a) Tawarroq:

The Company signed financing agreement for SR 355,000 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 promisory note to the amount of actual drawdown. The amount of the facility was drawn in full.

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. This facility is secured by promisory note.

11.2 Sukuk:

The Company managed to redeem the outstanding amount of Sukuk for SR 355,000 in full. 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 contains 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 September 2020, there has been no non-compliance for any of the covenants.

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

12. 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.

13. CONTINGENT LIABILITIES:

As of September 30, 2020, the company had commitments in the form of letters of credit and bills for collection amounting to SR 1, 246 (2019: 10)

14. BOARD OF DIRECTORS APPROVAL:

These condensed interim financial statements were approved by the Board of Directors of the Company on October 25, 2020.