

HAIL CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE MONTHS ENDED
AT 31 MARCH 2021

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE MONTHS PERIOD
ENDED AT 31 MARCH 2021

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TRANSLATED FROM ARABIC**INDEPENDENT AUDITOR'S REPORT ON REVIEW
OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

TO THE SHAREHOLDERS:
HAIL CEMENT COMPANY
SAUDI JOINT STOCK COMPANY
Hail – SAUDI ARABIA
Introduction:

We have reviewed the condensed interim statement of financial position of Hail Cement Company – Saudi Joint Stock Company- ("the Company") as at March, 31, 2021, the condensed interim statements of profit or loss and other comprehensive income for the three months period ended at March, 31, 2021, the condensed interim changes in shareholders equity and the condensed interim cash flows for three months then ended, and summary of significant accounting policies and other explanatory notes which form an integral part of these condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed interim 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 Statements Information performed by the Independent Auditor of the Entity" approved in the Kingdom of Saudi Arabia. A review of interim financial statement consists of making inquiries, primarily of 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 approved 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 condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" approved in the Kingdom of Saudi Arabia.

Other matter relating to Comparative figures:

The company's condensed interim financial statements for the three-month period ending March 31, 2020, were reviewed by another auditor who expressed an unqualified conclusion in these condensed interim financial statements on Shaaban 30, 1441H corresponding to April 23, 2020

FOR EL SAYED EL AYOUTY & CO.

Jeddah: April 27, 2021
Ramadan 15, 1442H



A. Balamash
Abdullah Ahmad Balamash
Certified Public Accountant
License No. (345)

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(All amounts in Saudi Riyals)

	Notes	31 March 2021 Unaudited	31 December 2020 Audited
Assets			
Non-current assets			
Property, plant and equipment, net		740,029,393	753,257,922
Intangible assets		272,186	209,634
Right to use assets		8,792,899	8,900,314
Total non-current assets		749,094,478	762,367,870
Current assets			
Inventory – Net		327,757,662	320,825,926
Trade receivables		22,983,781	22,725,528
Prepayments and other receivable balances		21,462,517	14,686,351
Investments at FV through profit or loss		53,740,267	49,104,683
Cash and cash equivalents		97,645,063	87,174,345
Total current assets		523,589,290	494,516,833
Total assets		1,272,683,768	1,256,884,703
Shareholders' equity and Liabilities			
Shareholders' equity			
Share capital		979,000,000	979,000,000
Statutory reserve		52,507,982	52,507,982
Retained earnings		157,236,323	131,364,847
Actuarial gain from other comprehensive income		428,627	428,627
Total shareholders' equity		1,189,172,932	1,163,301,456
Non-current liabilities			
Lease obligations - Non current		9,443,666	9,849,589
Employee defined benefits obligations		17,614,585	16,870,983
Other provisions		3,943,550	3,914,194
Total non-current liabilities		31,001,801	30,634,766
Current liabilities			
Accounts payable		31,150,028	30,238,386
Accrued expenses and dividends payable		18,330,659	22,510,019
Zakat provision		3,028,348	10,200,076
Total current liabilities		52,509,035	62,948,481
Total liabilities		83,510,836	93,583,247
Total liabilities and shareholders' equity		1,272,683,768	1,256,884,703



Finance Manager



Chief Executive Officer



BOD Chairman


The accompanying notes from 1 to 12 form an integral part of these condensed interim financial statements.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED AT 31 MARCH 2021 (All amounts in Saudi Riyals)

Notes	<u>for the three months</u> <u>ended at 31 March</u>	
	<u>2021</u> <u>Unaudited</u>	<u>2020</u> <u>Unaudited</u>
Revenue	81,891,348	119,461,740
Cost of revenue	(50,978,372)	(64,446,162)
Gross profit	30,912,976	55,015,578
Selling and distribution expenses	(865,821)	(806,959)
General and administrative expenses	(5,793,069)	(5,496,048)
Provisions during the period	(415,223)	(526,330)
Profit for the period from main operations	23,838,863	48,186,241
Finance costs	(116,966)	(883,818)
Income from Murabaha deposits	277,520	748,576
Other income	236,475	16,118
Profit from changes in fair value of investments through profit or loss	4,635,584	(4,844,968)
Net profit for the period before zakat	28,871,476	43,222,149
Zakat	(3,000,000)	(3,000,000)
Net profit for the period	25,871,476	40,222,149
Other comprehensive income:		
(Loss) from re-measurement of employee benefit obligations	-	-
Total comprehensive income for the period	25,871,476	40,222,149
Basic earnings per share for the period:		
From profit of main operations	0.24	0.49
From net profit	0.26	0.41
Weighted average number of ordinary shares	97,900,000	97,900,000


Finance Manager
Chief Executive Officer
BOD Chairman

The accompanying notes from 1 to 12 form an integral part of these condensed interim financial statements.

HAIL CEMENT COMPANY

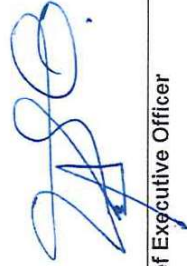
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED AT 31 MARCH 2021 (All amounts in Saudi Riyals)

	Share capital	Statutory Reserve	Retained Earnings	Other comprehensive income SR	Total equity SR
Balance as at 1 January 2021	979,000,000	52,507,982	131,364,847	428,627	1,163,301,456
Total profit or loss and other comprehensive income:					
Net profit for the period	-	-	25,871,476		25,871,476
Balance as at 31 March 2021	979,000,000	52,507,982	157,236,323	428,627	1,189,172,932
Balance as at 1 January 2020	979,000,000	41,736,164	36,182,456	636,754	1,057,555,374
Total profit or loss and other comprehensive income:					
Net profit for the period			40,222,149		40,222,149
Balance as at 31 March 2020	979,000,000	41,736,164	76,404,605	636,754	1,097,777,523



Finance Manager



Chief Executive Officer



BOD Chairman

The accompanying notes from 1 to 12 form an integral part of these condensed interim financial statements.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED AT 31 MARCH 2021

(All amounts in Saudi Riyals)

	Notes	for the three months ended at 31 March	
		2021 Unaudited	2020 Unaudited
Operating activities			
Profit for the period before Zakat		28,871,476	43,222,149
Adjustment			
Depreciation of property, plant and equipment and amortization of intangible assets		15,683,827	16,034,123
Right to use depreciation		107,415	107,415
Rent financial cost		73,977	79,002
Provision re-measurement Interest		29,356	-
Amortization of deferred expenses		-	519,171
Employee benefit obligations		985,015	958,163
Provisions		415,222	526,330
Profit from changes in fair value of investments through profit or loss		(4,635,584)	4,844,968
Changes in operating assets and liabilities			
Inventory		(7,441,712)	6,670,264
Trade receivables and prepayments and other receivable balances		(6,939,665)	(12,969,631)
Accounts payable and accruals		(1,367,718)	12,682,902
Employee benefit obligations- paid		(241,413)	(238,163)
Payment made to BOD and Committee		(1,900,000)	-
Zakat paid		(10,171,728)	-
Net cash from operating activities		13,468,468	72,436,693
Investing activities			
Purchase of property and equipment		(2,423,350)	(1,297,033)
Payments for purchase intangible assets		(94,500)	-
Net cash (used in) investing activities		(2,517,850)	(1,297,033)
Finance activities			
Lease payments		(479,900)	-
Net cash (used in) financial activities		(479,900)	-
Net (decrease) / Increase in cash and cash equivalents		10,470,718	71,139,660
Cash and cash equivalents, beginning of the year		87,174,345	110,984,656
Cash and cash equivalents, end of the year		97,645,063	182,124,316



Finance Manager



Chief Executive Officer



BOD Chairman

The accompanying notes from 1 to 12 form an integral part of these condensed interim financial statements.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Notes to the financial statements for the year ended March 31, 2021

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. The Company and activity

a) The Company

HAIL CEMENT COMPANY (the "Company"), is a Saudi Joint Stock Company, registered in Hail, Saudi Arabia under Commercial Registration No. 3350026399 dated November 30, 2010 (corresponding to 24 Dhul Hijjah 1431 H). Furthermore, the Company has also obtained a ministerial resolution No. 384/G on November 30, 2010 (corresponding to 24 Dhul Hijjah 1431 H) from the Ministry of Commerce and Industry.

The Company has obtained an industrial investment license No. 141931098717 dated August 26, 2010 (corresponding to 16 Ramadan 1431 H) from the Saudi Arabian General Investment Authority (SAGIA).

The company's shares are listed on the Capital Market Authority (CMA).

The company's main address is: Hail. P.O. Box: 1008, Postal Code: 81431.

b) The Company's activities

The Company's activities include the production and distribution of cement and its derivatives of all kinds of building materials and related accessories inside and outside the Kingdom of Saudi Arabia.

c) The Financial period

The financial period presented of the company begins on January 1, 2021 and ends on March 31, 2021 and the company's financial year starts from the beginning of January of each year and ends at the end of December of the same year.

d) Amendments to the Company's Articles of Association

In the extraordinary general assembly meeting held on 17 February, 2021 it is resolved make the changes to the following articles:

A. 3rd Article related to company activity.

To be as the following:

The purpose of establishing HCC is producing cement and all related and extracted materials, trading on this materials inside and outside KSA, running and operating all types of cement plants, For this purpose, it has the practice of mining and quarrying and everything that enables the company to obtain raw materials for the cement industry, such as limestone, clay, gypsum, iron, kaolin, sand, silica sand ore, and other materials needed for the cement industry.

In achieving this purpose, it has the right to conclude all types of contracts and to exercise all aspects of activities that achieve its objectives. Such as the practice of transporting cement, raw materials and all materials related to the cement industry.

The company carries out its activities according to the followed regulations and after obtaining the necessary licenses from the authorities, if any.

B. 49th Article related to the Dividends.

The following clause has been added to the clauses of that article to become the sixth clause of the article that states the following:

The company may distribute interim dividends to its shareholders semi-annually or quarterly in accordance with the regulations issued by the Capital Market Authority.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Notes to the financial statements for the year ended March 31, 2021

(All amounts in Saudi Riyals thousands unless otherwise stated)

2. Basis of preparation

2.1. Statement of compliance

These interim condensed financial statements have been prepared for the three months ended 31 March 2021 in accordance with IAS 34 Interim Financial Reporting adopted in Saudi Arabia and other standards and pronouncements endorsed by SOCPA. These condensed interim financial statements do not include all the information and explanations required in the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the Company's financial statements for the year ended 31 December 2020.

2.2. Basis of measurement

These interim condensed financial statements have been prepared on accounting accrual basis and the concept of going concern. These interim condensed financial statements have been prepared on the historical cost model except for investments that measured at fair value through profit or loss and the recognition of defined benefit obligations is determined using the Projected Unit Credit Method.

2.3. Functional and presentation currency

These financial statements' items are presented in Saudi Arabian Riyals "SR" which is the functional and presentation currency of the Company. All figures are rounded to the nearest Saudi Riyals unless otherwise stated.

2.4. Significant accounting estimates, assumptions and judgments

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures about assets and contingent liabilities at the date of the financial statements, the amounts of revenues and expenses declared, disclosure of contingent liabilities on the financial statements and the amounts of revenues and expenses of the declared values during the reporting period.

Although these estimates and judgments are based on the best information available to management on operations and current events, actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation in these financial statements were the same as those that applied to the financial statements as at and for the year ended 31 December 2020.

3. Significant accounting policies

The accounting policies applied to these interim condensed financial statements are the same as those applied to the financial statements for the year ended 31 December 2020.

4. Changes in significant accounting policies

New standards, interpretations and amendments applied by the Company

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended December 31, 2020, except for the implementing the new standards that came to effect on January 1, 2021. The effect will not be significant to interim condensed financial statements.

5. Segment information

The Company's core business is in one product thus it does not report for operating segments in products.

HAIL CEMENT COMPANY

(A Saudi Joint Stock Company)

Notes to the financial statements for the year ended March 31, 2021

(All amounts in Saudi Riyals thousands unless otherwise stated)

6. Investments at FV through profit or loss

The Company has invested SR 50 million in Discretionary Portfolio Management with Al Rajhi Capital under financial securities number DPM 023. The present value of portfolio is SR 53,740,267.

7. Zakat status

The Company filed its Zakat returns up to the year 2020, paid the amount of Zakat payable and obtained Certificate No: 1110625303 dated 23/07/1442 H, valid until 29/09/1443 H (corresponding to April 30, 2022). The Company received Zakat assessments for the years from 2015 until 2018, which resulted in differences. The Company objected to those differences, and has not received any reply for the objection to date.

8. Contingent liabilities

The Company has contingent liabilities as on March 31, 2021 related to issuance of letters of credit in an amount of SR 10.69 million (31 December 2020: SR 1.53 million), and letters of guarantee in an amount of SR 0.58 million (31 December 2020: SR 530 thousand).

9. Interim results

The results of operations in the interim condensed financial statements may not be an accurate indication of the results of the operations included in the company's annual financial statements.

10. Important events

The Covid-19 pandemic has appeared since March 2020, which has severely affected many local economies around the world. The Company's management believes that this pandemic has no impact on the financial performance of the company during the period ended 31 March 2021.

11. Dividends

In the ordinary general assembly meeting held on 22 March 2021 it is resolved to approve the recommendation of Board of Directors to distribute cash dividends to shareholders for the fiscal year ending December 31, 2020, amounting to SR 0.50 per share, with a total amount of SR 48,950,000 which is 5% of the capital, for those shareholders who own the shares and have the eligibility at the end of the trading day of the General Assembly meeting and those registered on the company shareholders register with the Securities Depository Center Company (Depository Center) at the end of the second trading day following the maturity date. The dividend distribution date is April 5, 2021.

12. Approval of the interim condensed financial statements financial Statements

The board of directors has approved these interim condensed financial statements on 15 Ramadhan 1442 H (corresponding to 27 April 2021 G).