

**NAJRAN CEMENT COMPANY**  
(A Saudi Joint Stock Company)

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

**FOR THE THREE-MONTH AND NINE-MONTH  
PERIODS ENDED 30 SEPTEMBER 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 nine-month periods ended 30 September 2021**

---

<b>Table of contents</b>	<b>Page</b>
Independent auditor's review report	2
Interim condensed consolidated statement of financial position	3
Interim condensed consolidated statement of profit or loss	4
Interim condensed consolidated statement of comprehensive income	5
Interim condensed consolidated statement of changes in equity	6
Interim condensed consolidated statement of cash flows	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)  
Najran, Kingdom of Saudi Arabia

**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 September 2021, and the related interim condensed consolidated statement of profit or loss and statement of comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the nine-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 nine-month periods ended 30 September 2020 have been reviewed by another auditor who has issued an unmodified conclusion on those interim condensed consolidated financial statements on 26 October 2020 and the consolidated financial statements for the year ended 31 December 2020 have been audited by the same auditor who has expressed unqualified opinion on those financial statements on 28 February 2021.

For Dr. Mohamed Al-Amri & Co.

Maher Al-Khatieb  
Certified Public Accountant  
License Number 514



1 November 2021(G)  
26 Rabi' Al-Awwal 1443(H)

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

		30 September 2021 SR '000 (Unaudited)	31 December 2020 SR '000 (Audited)
	<u>Note</u>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	2,012,158	2,019,611
Intangible assets		4,100	4,071
		<u>2,016,258</u>	<u>2,023,682</u>
<b>Current assets</b>			
Store, spare parts and loose tools	8	112,064	112,659
Stock in trade	9	109,050	133,716
Trade receivables	10	30,776	30,356
Prepayments and other receivables		42,561	46,780
Cash and cash equivalents		194,317	171,569
		<u>488,768</u>	<u>495,080</u>
<b>TOTAL ASSETS</b>		<u><b>2,505,026</b></u>	<u><b>2,518,762</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	1,700,000	1,700,000
Statutory reserve		128,841	128,841
Retained earnings		101,598	227,080
<b>Total equity</b>		<u><b>1,930,439</b></u>	<u><b>2,055,921</b></u>
<b>Non-current liabilities</b>			
Provision for employees' benefits		36,374	33,438
Non-current portion of lease liability		5,597	6,047
Long term borrowing	12	253,000	278,500
		<u>294,971</u>	<u>317,985</u>
<b>Current liabilities</b>			
Provision for zakat	13	6,707	8,721
Current portion of lease liability		451	439
Current portion of long-term borrowing	12	53,215	51,542
Contract liability - advances from customers		6,058	6,467
Trade payables		55,963	45,025
Dividend payable	17	128,614	1,107
Accrued and other payables		28,608	31,555
		<u>279,616</u>	<u>144,856</u>
<b>Total liabilities</b>		<u><b>574,587</b></u>	<u><b>462,841</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>2,505,026</b></u>	<u><b>2,518,762</b></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)  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
For the three-month and nine-month periods ended 30 September 2021

	<i>Note</i>	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</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>
Revenue, net	14	125,886	158,954	441,895	436,787
Cost of revenue		(76,583)	(96,934)	(270,543)	(268,011)
<b>Gross profit</b>		<b>49,303</b>	<b>62,020</b>	<b>171,352</b>	<b>168,776</b>
Selling and distribution expense		(3,476)	(3,960)	(10,158)	(9,887)
General and administrative expense		(7,009)	(6,492)	(23,469)	(20,869)
<b>Operating profit</b>		<b>38,818</b>	<b>51,568</b>	<b>137,725</b>	<b>138,020</b>
Finance costs		(1,790)	(2,366)	(5,630)	(12,770)
Other income		1,038	208	2,823	736
<b>Profit before zakat</b>		<b>38,066</b>	<b>49,410</b>	<b>134,918</b>	<b>125,986</b>
Zakat	13	(2,000)	(2,000)	(5,400)	(5,500)
<b>Net profit for the period</b>		<b>36,066</b>	<b>47,410</b>	<b>129,518</b>	<b>120,486</b>
<b>Earnings per share</b>					
Earnings per share attributable to the shareholders of the Company:					
Basic and diluted (SR)		<u>0.21</u>	<u>0.28</u>	<u>0.76</u>	<u>0.71</u>
<b>Weighted average number of shares outstanding:</b>					
Basic and diluted ('000 shares)		<u>170,000</u>	<u>170,000</u>	<u>170,000</u>	<u>170,000</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)  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the three-month and nine-month periods ended 30 September 2021

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</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	<u>36,066</u>	<u>47,410</u>	<u>129,518</u>	<u>120,486</u>
<b>Other comprehensive income ("OCI")</b>				
OCI to be reclassified to profit or loss in subsequent periods	-	-	-	-
OCI not to be reclassified to profit or loss in subsequent periods	-	-	-	-
<b>Other comprehensive income</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the period</b>	<u><b>36,066</b></u>	<u><b>47,410</b></u>	<u><b>129,518</b></u>	<u><b>120,486</b></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)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the nine-month period ended 30 September 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>
As 1 January 2021 (audited)		1,700,000	128,841	227,080	2,055,921
Net profit for the period		-	-	129,518	129,518
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	129,518	129,518
Dividends	17	-	-	(255,000)	(255,000)
<b>Balance as at 30 September 2021 (unaudited)</b>		<b>1,700,000</b>	<b>128,841</b>	<b>101,598</b>	<b>1,930,439</b>
As 1 January 2020 (audited)		1,700,000	108,411	175,128	1,983,539
Net profit for the period		-	-	120,486	120,486
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	120,486	120,486
Dividends		-	-	-	-
<b>Balance as at 30 September 2020 (unaudited)</b>		<b>1,700,000</b>	<b>108,411</b>	<b>295,614</b>	<b>2,104,025</b>

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**  
For the nine-month period ended 30 September 2021

	Note	For the nine-month period ended 30 September	
		2021 SR '000 (Unaudited)	2020 SR '000 (Unaudited)
<b>OPERATING ACTIVITIES</b>			
Profit before zakat		134,918	125,986
<b>Adjustments for non-cash items:</b>			
Depreciation	7	55,416	56,994
Amortization		18	36
Loss on disposal of property, plant and equipment		15	253
Provision for expected credit loss	10	207	715
Provision for slow moving inventory		-	1,500
Finance cost		5,630	12,926
Provision for employees' benefits		4,291	4,158
		<u>200,495</u>	<u>202,568</u>
<b>Changes in working capital:</b>			
Trade receivables		(627)	935
Store, spare parts and loose tools		595	(1,875)
Stock in trade		24,666	47,764
Prepayments and other receivables		4,219	(14,149)
Contract liability - advances from customers		(409)	1,909
Trade payables		10,938	7,450
Accrued and other payables		(2,947)	7,138
		<u>236,930</u>	<u>251,740</u>
Zakat paid	13	(7,414)	(6,390)
Finance costs paid		(3,859)	(10,845)
End of service benefits paid		(1,355)	(835)
<b>Net cash generated from operating activities</b>		<u>224,302</u>	<u>233,670</u>
<b>INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	7	(18,290)	(5,644)
Additions to intangible asset		(47)	(45)
Movements in assets held for future use	7	(6,241)	(290)
Additions to capital work in progress	7	(23,447)	(227)
<b>Net cash used in investing activities</b>		<u>(48,025)</u>	<u>(6,206)</u>
<b>FINANCING ACTIVITIES</b>			
Proceed from long term borrowing	12	-	355,000
Repayment of long-term borrowing	12	(25,500)	(400,000)
Payment of lease liability		(536)	(300)
Board of directors remuneration paid		-	(2,910)
Dividends paid		(127,493)	-
<b>Net cash used in financing activities</b>		<u>(153,529)</u>	<u>(48,210)</u>
<b>Net change in cash and cash equivalents</b>		<u>22,748</u>	<u>179,254</u>
Cash and cash equivalents at the beginning of the period		171,569	22,152
<b>Cash and cash equivalents at the end of the period</b>		<u>194,317</u>	<u>201,406</u>

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

## **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 STATEMENT OF COMPLIANCE**

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 as at and 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 nine-month period ended 30 September 2020.

### **3 STATEMENT OF COMPLIANCE (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 authorized for issue at 31 March 2021.

The Group, being a lessee, did not receive any rent concession during the current 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 129.5 million during the current period ended 30 September 2021 compared to SR 120.5 million during comparative period ended 30 September 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 interim condensed 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 in the Kingdom of Saudi Arabia and certain foreign jurisdictions. 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 nine-month period ended 30 September 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>
<b>Cost:</b>										
1 January 2020 (Audited)	2,563	7,302	1,163,204	1,873,889	39,764	13,496	4,665	35,870	311	3,141,064
Additions	-	-	187	15,834	1,992	105	172	6,241	23,447	47,978
Disposal	-	-	-	-	(329)	-	(49)	-	-	(378)
Transfer	-	-	-	28,311	-	-	-	(4,751)	(23,560)	-
<b>30 September 2021 (Unaudited)</b>	<b>2,563</b>	<b>7,302</b>	<b>1,163,391</b>	<b>1,918,034</b>	<b>41,427</b>	<b>13,601</b>	<b>4,788</b>	<b>37,360</b>	<b>198</b>	<b>3,188,664</b>
<b>Accumulated depreciation:</b>										
1 January 2021 (Audited)	-	(1,014)	(351,845)	(735,368)	(20,667)	(9,422)	(3,137)	-	-	(1,121,453)
Additions	-	(395)	(15,172)	(37,309)	(2,036)	(328)	(176)	-	-	(55,416)
Disposal	-	-	-	-	329	-	34	-	-	363
<b>30 September 2021 (Unaudited)</b>	<b>-</b>	<b>(1,409)</b>	<b>(367,017)</b>	<b>(772,677)</b>	<b>(22,374)</b>	<b>(9,750)</b>	<b>(3,279)</b>	<b>-</b>	<b>-</b>	<b>(1,176,506)</b>
<b>Net book value:</b>										
<b>At 30 September 2021 (Unaudited)</b>	<b>2,563</b>	<b>5,893</b>	<b>796,374</b>	<b>1,145,357</b>	<b>19,053</b>	<b>3,851</b>	<b>1,509</b>	<b>37,360</b>	<b>198</b>	<b>2,012,158</b>

**NAJLAN CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
For the nine-month period ended 30 September 2021

**7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

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

**NAJRAN CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
For the nine-month period ended 30 September 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 nine-month period ended 30 September are as follows:

	<i>30 September 2021 SR'000 (Unaudited)</i>	<i>30 September 2020 SR'000 (Unaudited)</i>
Depreciation	55,416	56,994
Additions to property, plant and equipment	(18,290)	(5,644)
Movement in assets held for future use	(6,241)	(290)
Additions to capital work in progress	(23,447)	(227)

**8 STORES, SPARE PARTS AND LOOSE TOOLS**

	<i>30 September 2021 SR'000 (Unaudited)</i>	<i>31 December 2020 SR'000 (Audited)</i>
Consumables spare parts	117,387	117,982
Less: provision for slow moving items	(5,323)	(5,323)
	<u>112,064</u>	<u>112,659</u>

**8.1** Capital spares held for future capital use amounting to SR 37.36 million (2020: SR 35.87 million) are classified under property, plant and equipment.

**9 STOCK IN TRADE**

	<i>30 September 2021 SR'000 (Unaudited)</i>	<i>31 December 2020 SR'000 (Audited)</i>
Work in process	73,514	102,268
Raw materials, fuel and packing materials	25,848	18,195
Finished goods	6,065	7,864
Fuel in transit	3,623	5,389
	<u>109,050</u>	<u>133,716</u>

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

**10 TRADE RECEIVABLES**

**10.1 Trade Receivables**

	<i>30 September 2021 SR'000 (Unaudited)</i>	<i>31 December 2020 SR'000 (Audited)</i>
Trade receivables	33,314	43,147
Less: provision for expected credit loss	(1,803)	(11,650)
	<u>31,511</u>	<u>31,497</u>
Less: area incentives	(735)	(1,141)
	<u><u>30,776</u></u>	<u><u>30,356</u></u>

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

**10.2 Movement in the provision for expected credit loss is as follows:**

	<i>30 September 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	207	715
Written-off during the period / year	(10,054)	(422)
<b>Balance at the end of the period / year</b>	<u><u>1,803</u></u>	<u><u>11,650</u></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 BORROWING**

**12.1 Long-term borrowing**

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

	<i>30 September 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	<u>304,000</u>	<u>329,500</u>
Accrued mark up for the period / year	2,215	542
	<u>306,215</u>	<u>330,042</u>
Less: Transferred to current liabilities	(53,215)	(51,542)
<b>Balance at the end of the period / year</b>	<u><u>253,000</u></u>	<u><u>278,500</u></u>

## 12 LONG TERM BORROWING (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 aggregating SR 85 million are also available but not utilized.

The carrying values of the short-term borrowings are denominated in Saudi riyals.

### 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 September 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:

	<i><b>30 September 2021 SR'000 (Unaudited)</b></i>	<i><b>31 December 2020 SR'000 (Audited)</b></i>
Balance at beginning of the period / year	<u>8,721</u>	<u>19,241</u>
Provided / (reversal) during the period / year	5,400	(4,130)
Paid during the period / year	<u>(7,414)</u>	<u>(6,390)</u>
Balance at the end of the period / year	<u><u>6,707</u></u>	<u><u>8,721</u></u>

Zakat for the period ended 30 September 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 2020.

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

**14 REVENUE, NET**

**14.1 Disaggregated revenue information**

Segment	<i>For the nine-month period ended 30 September</i>	
	<i>2021 SR'000 (Unaudited)</i>	<i>2020 SR'000 (Unaudited)</i>
<b>Product type</b>		
Cement	441,895	436,787
Total revenue	<u>441,895</u>	<u>436,787</u>
<b>Customer type</b>		
Corporate customers	441,895	436,787
Total revenue	<u>441,895</u>	<u>436,787</u>
<b>Geographical markets</b>		
Local	414,215	408,394
Export	27,680	28,393
Total revenue	<u>441,895</u>	<u>436,787</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 letters of credit and bills for collections issued in the normal course of the business amounting to SR 217 thousand at 30 September 2021 (31 December 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 nine-month periods ended 30 September 2021:

**Revenue**

	<i>30 September 2021 SR'000 (Unaudited)</i>	<i>30 September 2020 SR'000 (Unaudited)</i>
Yaal Alarabeya Company	<u>(1,33)</u>	<u>(1,69)</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 nine-month period ended 30 September 2021 amounting to SR 882 thousand (30 September 2020: SR 315 thousand).

Key management personnel compensation comprised the following:

	<i>30 September 2021 SR'000 (Unaudited)</i>	<i>30 September 2020 SR'000 (Unaudited)</i>
Short term employee benefits	<u>6,128</u>	<u>4,160</u>
Post-employment benefits	<u>245</u>	<u>332</u>
	<u><b>6,373</b></u>	<u><b>4,492</b></u>

**17 DIVIDENDS**

- The Board of Directors of the Company, in its meeting held on 22 September 2021 (corresponding to 15 Safar 1443H), recommended an interim dividend of SR 127.5 million (SR 0.75 per share) that was paid on 17 October 2021 (corresponding to 11 Rabi ul Awwal 1443H).
- 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).

