

**NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE AND SIX MONTHS PERIOD
ENDED JUNE 30, 2015
AND INDEPENDENT AUDITOR'S LIMITED
REVIEW REPORT**

**NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2015**

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Dr. Mohamed Al-Amri & Co.
Accountants & Consultants

P.O. Box 784, Jeddah, 21421
Tel.: +966 12 639 4477
Fax: +966 12 639 4058
info@alamri.com

INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT

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

Scope of Review


We have reviewed the accompanying interim balance sheet of Najran Cement Company ("the Company") (a Saudi Joint Stock Company) as of June 30, 2015, and the related interim statements of income, cash flows and changes in shareholders' equity for the three and six months period ended June 30, 2015, including the related notes from 1 to 11. These interim financial statements are the responsibility of the Company's management and have been prepared by them and presented to us together with all the information and explanations which we required.

We conducted our review in accordance with Saudi Organization for Certified Public Accountants ("SOCPA") standards on interim financial information. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of a limited review is substantially less than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements of the Company for them to be in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.,


Jamal M. Al-Amri
Certified Public Accountant



Ramadan 27, 1436 (H)
July 14, 2015 (G)

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM BALANCE SHEET
AS AT JUNE 30, 2015

	<u>Note</u>	<u>2015</u> <u>Unaudited</u> <u>SR'000</u>	<u>2014</u> <u>Unaudited</u> <u>SR'000</u>
ASSETS			
Current assets			
Cash and cash equivalents		169,083	85,294
Accounts receivable - net		96,377	60,419
Inventories - net	3	371,945	349,677
Prepayments and other receivables - net		36,176	56,307
Total current assets		<u>673,581</u>	<u>551,697</u>
Non-current assets			
Property, plant and equipment	4	2,475,157	2,547,877
Intangible assets		5,937	10,021
Total non-current assets		<u>2,481,094</u>	<u>2,557,898</u>
TOTAL ASSETS		<u>3,154,675</u>	<u>3,109,595</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Current portion of long term loans and short-term Financing	5	150,000	305,000
Trade creditors		47,421	43,986
Accruals and other payables	7	31,838	75,740
Provision for zakat	6	32,601	30,354
Total current liabilities		<u>261,860</u>	<u>455,080</u>
Non-current liabilities			
Long term financial liabilities	5	750,000	686,757
End-of-service indemnities		13,256	9,143
Total non-current liabilities		<u>763,256</u>	<u>695,900</u>
Total liabilities		<u>1,025,116</u>	<u>1,150,980</u>
Shareholders' equity			
Capital	1	1,700,000	1,700,000
Statutory reserve		82,008	54,513
Retained earnings		347,551	204,102
Total shareholders' equity		<u>2,129,559</u>	<u>1,958,615</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>3,154,675</u>	<u>3,109,595</u>

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

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INCOME
FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2015

	<u>Note</u>	For the three months ended June 30		For the six months ended June 30	
		2015 Unaudited SR'000	2014 Unaudited SR'000	2015 Unaudited SR'000	2014 Unaudited SR'000
Revenues		294,190	233,025	598,416	401,703
Cost of sales		(143,135)	(113,385)	(287,392)	(207,000)
Gross profit		151,055	119,640	311,024	194,703
Selling and distribution expenses		(50,783)	(19,736)	(99,576)	(25,542)
General and administrative expenses		(8,903)	(6,422)	(14,981)	(13,919)
Operating income		91,369	93,482	196,467	155,242
Finance expenses		(9,102)	(6,051)	(16,385)	(11,242)
Other income / (expenses) - net		1,561	(46)	1,741	75
Net income before zakat		83,828	87,385	181,823	144,075
Zakat	6	(6,000)	(3,000)	(12,000)	(6,000)
Net income for the period		77,828	84,385	169,823	138,075
Earnings/(loss) per share SR:					
From operating income		0.54	0.55	1.16	0.91
From other activities, including zakat		(0.08)	(0.05)	(0.16)	(0.10)
From net income		0.46	0.50	1.00	0.81

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



NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2015

	2015 Unaudited SR'000	2014 Unaudited SR'000
Cash flows from operating activities:		
Net income before zakat for the period	181,823	144,075
Adjustments to reconcile net income before zakat with net cash provided by operating activities:		
Depreciation	59,866	54,736
Amortization	6,092	4,099
Loss/(gain) on disposal of property, plant and equipment	3	(42)
Provision for slow moving spares and clinker stock shortage	4,000	-
Provision against refundable custom duties	2,065	-
Finance charges	11,047	7,947
End-of-service indemnities	2,716	1,159
Changes in operating assets and liabilities:		
Accounts receivable	(12,133)	(28,283)
Inventories	20,491	(56,891)
Prepayments and other receivables	(2,883)	(3,360)
Trade creditors	182	(45,065)
Accruals and other payables	(7,438)	(5,870)
Cash from operations	265,831	72,505
Finance charges paid	(10,878)	(11,763)
End-of-service indemnities paid	(123)	(170)
Net cash provided by operating activities	254,830	60,572
Cash flows from investing activities:		
Purchase of property, plant and equipment	(4,869)	(13,999)
Movements in spares held for capital use (strategic)	(3,582)	(7,426)
Payments to contractors (capital work in progress)	(172)	(61,575)
Proceeds from disposal of property, plant and equipment	2	77
Sukuk issuance expenses treated as intangibles	(5,162)	-
Net cash used in investing activities	(13,783)	(82,923)
Cash flows from financing activities:		
Net short term financing movements	-	93,837
Net proceeds / (repayment) of long term loans	(401,757)	14,129
Sukuk proceeds	400,000	-
Dividends paid	(101,929)	(1,436)
Board of directors' remuneration paid	-	(2,067)
Net cash (used in) / provided by financing activities	(103,686)	154,463
Net change in cash and cash equivalents	137,361	82,112
Cash and cash equivalents, beginning of the period	31,722	3,182
Cash and cash equivalents, end of the period	169,083	85,294
Material non-cash transactions:		
Reclassification of amounts from capital work in progress to property, plant and equipment	-	128,887

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

NAJRAN CEMENT COMPANY
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INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2015

	<u>Note</u>	<u>Capital</u> <u>SR'000</u>	<u>Statutory</u> <u>reserve</u> <u>SR'000</u>	<u>Retained</u> <u>earnings</u> <u>SR'000</u>	<u>Total</u> <u>SR'000</u>
Balance as at January 1, 2015		1,700,000	65,026	296,710	2,061,736
Net income for the period		-	-	169,823	169,823
Transfer to statutory reserve		-	16,982	(16,982)	-
Dividends	7	-	-	(102,000)	(102,000)
Balance as at June 30, 2015 - Unaudited		<u>1,700,000</u>	<u>82,008</u>	<u>347,551</u>	<u>2,129,559</u>
Balance at January 1, 2014		1,700,000	40,706	79,834	1,820,540
Net income for the period		-	-	138,075	138,075
Transfer to statutory reserve		-	13,807	(13,807)	-
Balance as at June 30, 2014 - Unaudited		<u>1,700,000</u>	<u>54,513</u>	<u>204,102</u>	<u>1,958,615</u>

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



NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2015
All figures in SR '000 unless otherwise stated

1. ORGANIZATION AND ACTIVITIES

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 (due to expire on June 22, 2015). On Jumada Awwal 12, 1435 (corresponding to March 13, 2014), the Company was granted a new Industrial License, number 1081.

The share capital of the Company is SR 1,700,000, divided into 170,000,000 shares of SR ten per share.

The principal activities of the Company are manufacturing and marketing of diversified qualities of cement. In addition, the Company is authorized to manufacture and market building materials, and become involved in establishing or participating in establishing industrial service companies to provide maintenance and services for factories as well as management and operations of cement factories, acquisition of land and real estate, patents and commercial trademarks to achieve its purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with the Standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The significant accounting policies applied by the Company, in preparing these interim financial statements, are consistent with those stated in its annual audited financial statements for the year ended December 31, 2014.

Financial year and interim periods

The financial year of the Company commences on 1 January of each year and ends on 31 December of the same year. Interim financial statements are prepared for the three months ending on, and the period from the beginning of the year to, the end of March, June, September, and December.

Adjustments related to the period

The Company's management has made all the required adjustments so that the interim financial statements present fairly the interim financial position and results of operations for the Company. In addition, results presented in these interim financial statements may not represent an accurate indicator for the full year.

Interim financial statements do not include all information and disclosures required for the annual audited financial statements, therefore these interim financial statements should be read in conjunction with the latest annual audited financial statements and its related notes.

Accounting convention

The accompanying interim financial statements have been prepared under the historical cost convention on the accruals basis of accounting in accordance with generally accepted accounting principles in the Kingdom of Saudi Arabia. Significant accounting policies adopted in the preparation of these financial statements are set out below.

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Use of estimates

The preparation of the accompanying interim financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that might affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and activities, actual results may ultimately differ from those estimates.

The 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 if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The significant areas of estimation uncertainty and critical adjustments in applying accounting policies that might have most significant effect on the amounts recognized in the financial statements are as follows:

- provision for doubtful debts and slow-moving inventory.
- estimated useful economic lives & residual values of property, plant & equipment
- estimated useful lives of intangible assets
- provisions and accruals

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and other short-term highly liquid investments of less than three months maturity at their acquisition date.

Restricted cash includes amounts in respect of unpaid dividends and which have been transferred to a specifically designated bank account.

Accounts receivable and amounts due to customers

Accounts receivable are stated in the balance sheet at net realizable value after deducting provision for doubtful debts (if any). The provision is re-estimated based on an analysis of the collectible amounts of the accounts receivable balances at the end of the period. Such analysis takes account of bank guarantees in place, payment histories and legal actions undertaken.

The Company has a policy of requiring certain customers to pay in advance of receipt of goods. Where advances have been received but goods not delivered as at the period end, this is classified as amounts due to customers and included in current liabilities.

Where the Company is entitled to any third party claim, such as clinker subsidies or custom duties refundable, the agreed amount is included in other receivables and other income, net of any provisions.

Offsetting

In the normal course of business, the Company provides cement to certain companies, and also receives services from such companies. For purposes of financial statements presentation and based on an understanding between the relevant parties, the receivables and payables balances are offset against each other.

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Inventories (stock in trade and stores and spares)

Inventories are stated at the lower of cost or net realizable value. Cost is determined on the weighted average basis. Cost of stock in trade (raw materials, fuel and packing materials, and goods in process and finished goods) includes, where applicable, cost of materials, labor and an appropriate proportion of direct overheads. Net realizable value is selling price less costs to sell.

Spare parts for plant and machinery are categorized as either capital parts, in which case they are included as part of non-current assets, or consumables, in which case they are accounted for as current assets.

Property, plant and equipment and capital work-in-progress

Property, plant and equipment, except land which is not depreciated, are stated at cost less accumulated depreciation and impairment, if any. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the declining balance method and appropriate residual values. The estimated annual rates of depreciation of the principal classes of assets are as follows:

	<i>Percentage</i>
Buildings	4%
General plant, machinery and equipment	5%
Quarry machinery and equipment	15%
Vehicles	25%
Furniture, fixtures and office equipment	10% - 12.5%
Computers and related software	15%

Capital work in progress includes all costs incurred to date (including advance payments) in connection with major expansion projects, and which have not been reclassified as one of the asset classes noted above.

Borrowings costs incurred to finance the construction of property, plant and equipment are capitalized as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use.

Capital work in progress is re-classified as property, plant and equipment when the relevant performance tests have been satisfactorily completed.

Intangible assets

Intangible assets comprise the Sukuk issuance costs, feasibility studies, and consultation fees. While Sukuk costs are amortized over the period of the term (5 years) and shown as finance expenses, other intangible assets are amortized using the straight line method, over a period of 5 years after completion of the related projects.

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Impairment of non-current assets

At each reporting date, the Company reviews the carrying amounts of property, plant and equipment, to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount, and the impairment loss is recognized as an expense immediately in the statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of income.

Accounts payable, amounts due to contractors, accrued expenses and supplier advances

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether claimed by the suppliers or not. Appropriate provisions are made for production related charges in accordance with service contract arrangements.

Amounts payable to contractors, in respect of capital works completed as at the year-end, but not paid for at that date, are included in accruals and other payables.

During the normal course of business, the Company is required to pay in advance or provide letters of credit for certain goods or services so as to guarantee production and delivery of goods or services. Where advances have been made but goods or services not received as at the period end, this is classified as amounts due from suppliers and included in current assets. Where the risks of ownership of goods have transferred to the Company, but goods are not yet received, provision is made to recognize both the goods in transit and the resultant liability.

Borrowings

Borrowings are recognized based on gross proceeds received. Where the finance cost is recovered in advance at the time of loan disbursement, the amount is treated as a prepayment and is amortized over the term of the loan in a manner so as to yield a constant rate on the balance amount of loan outstanding (see intangible assets).

Borrowings are drawn-down either specifically to finance capital works in progress or for general purposes. Commissions on borrowings drawn-down for capital works in progress are capitalized. Commission relating to other borrowings is reported within finance charges in the statement of income.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Where the Company has a long term facility agreement operated on a Tawarroq mechanism of roll-overs through individual deals, and it is the Company's intention to roll-over these facilities, such amounts are classified as long term borrowings. Where the Tawarroq facility agreement requires repayment of amounts due, the total facility limit having been reached, amounts repayable are classified as either current or long-term in accordance with the agreement. For statement of cash flow purposes, these roll-over transactions are treated as one transaction.

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End-of-service indemnities

End-of-service indemnities, as required by Saudi Arabian Labor Law, are provided in the interim financial statements based on the employees' length of service.

Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the issued share capital. This reserve is not available for dividend distribution.

Revenue recognition

Revenues are recognized upon delivery of goods to customers and are stated net of trade and quantity discounts.

Cost of sales

Cost of sales includes direct costs of production, including costs of materials, contract services, labor, depreciation of production related property, plant and equipment, amortization of production related intangible assets and directly attributable production overheads. Costs of production are attributed to cost of sales and inventories based on units of production.

Expenses

Selling and distribution expenses comprise costs incurred in the distribution and sale of the Company's products, including employee costs and transportation costs. All other operating expenses are classified as general and administrative expenses.

Zakat

The Company is subject to the Regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Provision for zakat is provided for on the accruals basis. Any difference in the estimate is recorded in the period in which the final assessment is approved.

Derivative financial instruments

The Company has not designated its derivatives as hedging instruments and accordingly, the net impact of the changes in cash flows for Murabaha and Tawarroq profits is recognized in the statement of income at the corresponding settlement dates.

Foreign currency translation

The Company maintains its accounts in Saudi Riyals. Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of income as part of other expenses.

Contingent liabilities

Contingent liabilities are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

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Earnings per share

Earnings per share is calculated by dividing operating income, other activities and net income for the relevant period by the weighted average of ordinary shares issued and outstanding during the period (170 million shares).

Segmental reporting

The Company is administered as one operating segment engaged in the production of cement and related products. The Company carries out its activities solely in the Kingdom of Saudi Arabia.

3. INVENTORIES AND WORK IN PROGRESS

Inventories include consumable spare parts for plant and machinery amounting to SR 124,972 (2014: SR 115,971).

4. PROPERTY, PLANT AND EQUIPMENT

Net book values of property, plant and equipment at June 30 comprised the following:

	2015	2014
Land	2,563	2,563
Buildings	976,775	996,091
Plant and quarry machinery and equipment	1,433,526	1,325,949
Vehicles	5,250	5,910
Furniture, fixtures and office equipment	6,059	6,977
Computers and related software	5,830	5,903
Capital work in progress	-	165,470
Spare parts held for future capital use (strategic)	45,154	39,014
	<u>2,475,157</u>	<u>2,547,877</u>

During the year ended December 31, 2014 all related costs, including finance charges in respect of capital work in progress were re-classed as property, plant and equipment.

5. LONG-TERM LOANS AND SHORT-TERM FINANCING

		2015	2014
Current portion of long-term loans	(5.1)	50,000	205,000
Short-term financing	(5.2)	100,000	100,000
		<u>150,000</u>	<u>305,000</u>
(5.1) The movement in long-term loans is as follows:			
Balance at January 1,		801,757	877,628
Sukuk proceeds/drawn-down during the period		400,000	260,000
Repaid during the period		(401,757)	(245,871)
Balance at June 30,		<u>800,000</u>	<u>891,757</u>
Current portion of long term loans		(50,000)	(205,000)
Long term portion		<u>750,000</u>	<u>686,757</u>

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Saudi Industrial Development Fund Loan

In 2008, the Company signed a long term loan agreement (amended in 2010) with Saudi Industrial Development Fund ("SIDF") by which it obtained a loan of SR 454,550. The loan was repayable in fourteen installments starting June 17, 2011, however, the remaining balance (SR 128,000) was settled in full in June 2015 through use of the Sukuk proceeds.

Sukuk

In June 2015, the Company privately placed an unrated but registered Sukuk of SR 400 million for five years, maturing in June 2020, with a profit rate of 1.4% plus three month SIBOR, payable quarterly. The proceeds were applied towards part settlement of the existing indebtedness of the Company.

Commercial Banks Facilities (Tawarroq & Tayseer)

The Company has signed bank facility agreements with commercial banks (some of which replace old facility agreements) as follows:

- Tawarroq facility for SR 500,000 to finance the third production line. The full amount was drawn-down and is repayable in equal quarterly installments of SR 25,000 each that started on September 30, 2013 and ends in June 2018. In June 2015, the Sukuk proceeds were applied to pre-settle the two quarterly installments falling due in the July - December period of 2015. The amount outstanding as at June 30, 2015 was SR 250,000 (2014: SR 398,757).
- Tawarroq facility for SR 150,000 to finance waste heat recovery plant is repayable in equal quarterly installments of SR 25,000 each starting September 30, 2018 and ending in 2019.
- Tawarroq facility for SR 150,000 (2014: SR 150,000) to be used for multi-purposes, of which SR 25,000 (2014: SR 110,000) drawn-down was repaid in full through use of the Sukuk proceeds.

(5.2) Short-term financing facility for SR 100,000 (2014: SR 100,000) was pre-settled through use of Sukuk proceeds on July 5, 2015.

All of the above agreements have conditions to maintain certain financial ratios and relating to payment of dividends.

6. ZAKAT

	2015	2014
Balance at January 1,	20,601	24,354
Provision for the period	12,000	6,000
Balance at June 30,	<u>32,601</u>	<u>30,354</u>

The Company filed an appeal against the additional demand of SR 14,612 raised by the DZIT while finalizing the assessments for the years 2006 through 2011 inclusive. The composition of this demand is SR 2,057 relating to withholding taxes of prior years and SR 12,555 relating to certain adjustments to the zakat base and calculations.

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The Company signed an agreement in May 2015 with the DZIT to withdraw such appeal and to pay the additional zakat demand of SR 12,555, while the DZIT agreed to withdraw the WHT demand for SR 2,013 paid in January 2014 by the Company under protest. The Company is applying for the refund of SR 2,013 along with the penalties that were paid.

7. DIVIDENDS PAYABLE

The shareholders of the Company, in their General Assembly held on March 30, 2015 (corresponding to Jumaada al Thaany 10, 1436), approved a dividend of SR 102,000 (SR 0.60 per share) (2014: SR nil); the dividend was paid in April 2015. Included in accruals and other payables are unpaid dividends of SR 1,093 (2014: SR 1,024).

8. CONTINGENCIES AND COMMITMENTS

As of June 30, 2015, the Company had commitments in the form of letters of credit and bills for collection amounting to SR 958 (2014: SR 7,995), letters of guarantee amounting to SR 47 (2014: SR 1,522) and performance bonds amounting to SR 2,304 (2014: SR 2,000).

9. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

Fair values of financial assets and liabilities:

The carrying book values of financial assets and liabilities are not materially different from their fair values at the balance sheet date.

Currency risk:

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies. The Company does not believe it is materially exposed to currency risk as the majority of the Company's transactions and balances are denominated in Saudi Riyals, or in US Dollars, which currency is fixed to the Saudi Riyal. Certain transactions are in Euros, but these are not material.

"Commission rate" risk:

"Commission rate" risk arises from the possibility that changes in market "commission rates" will affect the value of "commission earning assets and commission bearing liabilities". The Company does not believe it is materially exposed to "commission rate" risk, as its only exposure is loans taken from Banque Saudi Fransi where rates can vary but not materially. Other funding, including the SIDF loan, is obtained on fixed commission rate terms.

Liquidity risk:

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately, or by breach of funding covenants. To mitigate this risk, management monitors the maturity profile of its financial assets and liabilities to ensure that adequate liquidity is maintained or made available, as necessary. Accordingly, management does not believe that the Company is materially exposed to liquidity risk.

Credit risk:

The Company's credit risk is primarily attributable to its liquid funds and receivables. Cash balances are deposited with major banks with good credit standings. Whilst a small number of customers account for a significant proportion of both revenues and accounts receivable

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balances, these customers have all provided appropriate guarantees ensuring that their debt will be recoverable. All major customers are high profile customers within the Kingdom of Saudi Arabia and there is no reason to suggest that there will be a loss of revenue from these sources. The amounts presented in the balance sheet are stated at net realizable value, estimated by the Company's management based on experience. Accordingly, management does not believe that the Company is materially exposed to credit risk.

10. COMPARTIVES

Certain comparatives have been amended to conform to the current year presentation.

11. FINANCIAL STATEMENTS APPROVAL

These financial statements were approved by the Board of Directors of the Company on July 14, 2015.