

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS PERIOD AND
YEAR ENDED DECEMBER 31, 2012

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(A SAUDI JOINT STOCK COMPANY)

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INDEPENDENT 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 December 31, 2012, the related interim statement of income for the three months period and year ended December 31 2012, and the interim statements of cash flows and changes in shareholders' equity for the year then ended, including the related notes from 1 to 15. 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.

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
Registration No. 331

Rabi Awal 7, 1434 (H)
January 19, 2013 (G)

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2012

	<u>Note</u>	2012 <u>SR</u> Unaudited	2011 <u>SR</u> Audited
ASSETS			
Current assets			
Cash and cash equivalents	3	239,199,805	11,579,350
Short-term investment		100,435,750	-
Accounts receivable		60,103,463	107,679,730
Inventories and work in progress	4	191,662,890	141,691,321
Prepayments and other receivables		45,922,417	37,267,486
Total current assets		637,324,325	298,217,887
Non-current assets			
Property, plant and equipment	5	1,391,025,612	1,453,206,643
Capital work in progress	6	694,704,192	210,522,169
Intangible assets		25,735,212	37,349,215
Total non-current assets		2,111,465,016	1,701,078,027
TOTAL ASSETS		2,748,789,341	1,999,295,914
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short term financing		-	60,000,000
Current portion of long term loans	7	115,000,000	80,000,000
Trade creditors		27,781,158	34,759,550
Amounts due to contractors		89,010,240	13,127,775
Accruals, dividends and other payables		30,986,347	18,456,382
Provision for zakat		14,779,400	12,163,265
Total current liabilities		277,557,145	218,506,972
Non-current liabilities			
Long term loans	7	645,377,785	553,500,000
End-of-service indemnities		5,889,718	4,160,621
Total non-current liabilities		651,267,503	557,660,621
Total liabilities		928,824,648	776,167,593
Shareholders' equity			
Capital	1,8	1,700,000,000	1,219,000,000
Statutory reserve		20,892,388	668,751
Retained earnings		99,072,305	3,459,570
Total shareholders' equity		1,819,964,693	1,223,128,321
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,748,789,341	1,999,295,914

The accompanying notes 1 through 15 form an integral part of these financial statements.

NAJRAN CEMENT COMPANY
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INTERIM STATEMENT OF INCOME
FOR THE THREE MONTHS PERIOD AND YEAR ENDED DECEMBER 31, 2012

		For the three months ended December 31,		For the year ended December 31,	
	<u>Note</u>	2012 <u>SR</u> Unaudited	2011 <u>SR</u> Unaudited	2012 <u>SR</u> Unaudited	2011 <u>SR</u> Audited
Revenues		158,719,848	156,461,839	613,352,495	697,454,112
Cost of revenues		(91,451,974)	(135,714,474)	(335,871,437)	(401,047,934)
Gross profit		67,267,874	20,747,365	277,481,058	296,406,178
Selling and marketing expenses		(1,141,894)	(3,923,642)	(6,903,349)	(9,194,597)
General and administrative expenses		(5,923,131)	(5,837,559)	(26,066,647)	(23,865,774)
Operating income		60,202,849	10,986,164	244,511,062	263,345,807
Financial expenses	7	(2,002,373)	(6,705,506)	(23,312,738)	(21,624,581)
Other income (expenses) - net	8,9	632,208	3,676,797	(8,961,952)	912,504
Net income before zakat		58,832,684	7,957,455	212,236,372	242,633,730
Zakat		-	(3,000,000)	(10,000,000)	(8,000,000)
Net income for the period		58,832,684	4,957,455	202,236,372	234,633,730
Earnings per share:					
From operating income	11	0.35	0.09	1.60	2.16
From other activities, including zakat	11	(0.01)	(0.05)	(0.27)	(0.24)
From net income	11	0.34	0.04	1.33	1.92

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NAJRAN CEMENT COMPANY
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INTERIM STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012 SR Unaudited	2011 SR Audited
Cash flows from operating activities:		
Net income before zakat for the year	212,236,372	242,633,730
<i>Adjustments to reconcile net income before zakat with net cash provided by operating activities:</i>		
Depreciation	74,265,143	78,212,406
Amortization	12,216,572	4,284,722
(Gain)/loss on sale of property, plant and equipment	(15,008)	8,517
Finance charges	3,649,127	21,624,581
End-of-service indemnities	2,371,793	1,654,000
Other income/expenses - costs of Initial Public Offering	12,420,905	-
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable	47,576,267	(37,122,041)
Inventories and work in progress	(49,971,569)	17,033,048
Prepayments and other receivables	(4,185,356)	(11,430,040)
Trade creditors	(6,978,392)	14,661,667
Accruals, dividends and other payables	10,822,985	(1,270,055)
Cash from operations	314,408,839	330,290,535
Zakat paid	(7,383,865)	(4,281,847)
Finance charges paid (including capitalized charges)	(11,051,220)	(15,314,918)
End-of-service indemnities paid	(642,696)	(276,141)
Net cash provided by operating activities	295,331,058	310,417,629
Cash flows from investing activities:		
Purchase of property, plant and equipment	(12,139,904)	(12,204,225)
Payments to contractors (capital work in progress)	(400,897,465)	(202,310,397)
Proceeds from sale of property, plant and equipment	70,800	61,045
Additions to intangible assets	(602,569)	(8,040,122)
Purchase of short-term investment	(100,435,750)	-
Net cash used in investing activities	(514,004,888)	(222,493,699)
Cash flows from financing activities:		
Net short term financing movements	(60,000,000)	45,000,000
Proceeds from long term loans	219,877,785	443,970,000
Repayment of long term loans	(93,000,000)	(289,470,000)
Proceeds from Initial Public Offering ("IPO")	835,925,000	-
Payments to selling shareholders	(367,731,179)	-
Costs of IPO	(4,084,301)	-
Dividends paid	(83,293,020)	(307,328,065)
Board of Directors' remuneration paid	(1,400,000)	(1,400,000)
Net cash provided by/(used in) financing activities	446,294,285	(109,228,065)
Net change in cash and cash equivalents	227,620,455	(21,304,135)
Cash and cash equivalents, beginning of the year	11,579,350	32,883,485
Cash and cash equivalents, end of the year	239,199,805	11,579,350
Material non-cash transactions:		
Charges deducted at source on draw-down of loans/IPO costs deducted at source	14,075,000	4,080,000
Transfer from prepayments and other receivables to property, plant and equipment	-	16,531,145
Transfer from intangible assets to property, plant and equipment	-	3,622,142

The accompanying notes 1 through 15 form an integral part of these financial statements.

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INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012

	Capital SR	Statutory reserve SR	Retained earnings SR	Total SR
Balance as at January 1, 2011	1,150,000,000	46,205,378	101,791,213	1,297,996,591
Net income for the year	-	-	234,633,730	234,633,730
Transfer to statutory reserve	-	23,463,373	(23,463,373)	-
Capitalization of reserve	69,000,000	(69,000,000)	-	-
Dividends paid	-	-	(308,102,000)	(308,102,000)
Board of Directors' remuneration	-	-	(1,400,000)	(1,400,000)
Balance as at December 31, 2011 - Audited	<u>1,219,000,000</u>	<u>668,751</u>	<u>3,459,570</u>	<u>1,223,128,321</u>
Balance at January 1, 2012	1,219,000,000	668,751	3,459,570	1,223,128,321
Net income for the year	-	-	202,236,372	202,236,372
Transfer to statutory reserve	-	20,223,637	(20,223,637)	-
Issue of share capital	481,000,000	-	-	481,000,000
Dividends (note 12)	-	-	(85,000,000)	(85,000,000)
Board of Directors' remuneration	-	-	(1,400,000)	(1,400,000)
Balance as at December 31, 2012 - Unaudited	<u>1,700,000,000</u>	<u>20,892,388</u>	<u>99,072,305</u>	<u>1,819,964,693</u>

The accompanying notes 1 through 15 form an integral part of these financial statements.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD AND YEAR ENDED DECEMBER 31, 2012

1. ORGANIZATION AND ACTIVITIES

- Name of the Company : Najran Cement Company ("the Company")
- Legal Entity : A Saudi Joint Stock Company
- Commercial Registration : The Company was registered on Ramadan 5, 1426 (corresponding to October 9, 2005) under Commercial Registration number 5950010479 and Industrial License number 1693/S dated Zul Qada'h 28, 1425 (corresponding to January 9, 2005) granted to Thamarat Najran Company which was amended in favor of Najran Cement Company by Industrial License number 1949 issued on Rajab 2, 1428 (corresponding to August 4, 2007). On Rajab 25, 1432 (corresponding to June 27, 2011), the Company was granted a new Industrial License number 5482.
- Capital : The Company was founded with a share capital of SR 1,150,000,000, divided into 115,000,000 shares of SR 10 per share. On November 21, 2011, the Company's shareholders approved the increase in the Company's authorized share capital to SR 1,700,000,000 and the issuance of 6.9 million bonus shares of SR 10 each, thereby increasing the Company's issued share capital to SR 1,219,000,000, being 121,900,000 shares of SR 10 each. On May 12, 2012, the Company increased its issued share capital to SR 1,700,000,000 by the issue of 48,100,000 shares of SR 10 each following an Initial Public Offering.
- Company's Activities : 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 to 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.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD AND YEAR ENDED DECEMBER 31, 2012**

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, 2011.

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.

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

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might have most significant effect on the amounts recognized in the financial statements are as follows:

- estimated useful economic lives & residual values of property, plant & equipment
- estimated useful lives of intangible assets
- provisions

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.

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.

Offsetting

In the normal course of business, the Company both provides cement to certain companies, and 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.

Inventories and work in progress

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

Spare parts for plant and machinery are categorized as either insurable spare parts or consumables, and are accounted for as current assets.

Property, plant and equipment

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. The estimated annual rates of depreciation of the principal classes of assets are as follows:

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

Capital work in progress

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 property, plant and equipment.

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.

Impairment of non-current assets

At each reporting date, the Company reviews the carrying amounts of property, plant and equipment, capital work in progress and intangible assets, 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.

Intangible assets

Intangible assets comprise the Saudi Industrial Development Fund (SIDF) evaluation fees, feasibility studies, and consultation fees. The SIDF evaluation fees are amortized over the period of the loan (8 years) and shown as finance expenses. All the 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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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
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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.

Accounts payable, amounts due to contractors, accrued expenses & advances to suppliers

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed 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 period end but not paid for at that date are shown as amounts due to contractors.

During the normal course of business, the Company is required to pay in advance 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.

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.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
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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.

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.

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 revenues

Cost of revenues 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 revenues and inventories based on units of production.

Expenses

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

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 income / (expenses).

Earnings per share

Earnings per share from operating income, other activities and net income 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. Where a bonus issue of shares has been effected by way of capitalization of reserves and there has been no consideration received, the weighted

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average number of shares outstanding is re-stated as if the bonus issue had been made from the beginning of the first period presented. Other increases in the number of issued shares are accounted for from the date of issue.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2012 includes SR 200 million invested in a short-term Murabaha investment (2011: SR nil).

Restricted cash amounted to SR 1,706,980 (2011: SR nil).

4. INVENTORIES AND WORK IN PROGRESS

Inventories include spare parts for plant and machinery amounting to SR 121,393,516 (2011: SR 78,770,275).

5. PROPERTY, PLANT AND EQUIPMENT

Net book values of property, plant and equipment at December 31 comprise the following:

	2012 SR	2011 SR
Land	2,562,500	2,562,500
Buildings	515,897,690	537,401,197
Plant and quarry machinery and equipment	853,495,064	893,850,572
Vehicles	6,434,683	6,657,023
Furniture, fixtures and office equipment	7,841,340	7,671,671
Computers	4,794,335	5,063,680
	1,391,025,612	1,453,206,643

6. CAPITAL WORK IN PROGRESS

Capital work in progress includes SR 645,428,488 in respect of the third production line and SR 49,275,704 in respect of other projects (2011: SR 210,522,169). Capitalized finance expenses during the year ended December 31, 2012 amounted to SR 7.4 million (2011: SR nil).

7. LONG-TERM LOANS

	2012 SR	2011 SR
Balance at January 1,	633,500,000	474,920,000
Drawn-down during the year	219,877,785	448,050,000
Repaid during the year	(93,000,000)	(289,470,000)
Balance at December 31,	760,377,785	633,500,000
Current portion of long term loan	(115,000,000)	(80,000,000)
Long term portion	645,377,785	553,500,000

Long term loans are with Saudi Industrial Development Fund and Banque Saudi Fransi (BSF).

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During the year ended December 31, 2012, the Company revised the terms of its loan finance agreement with BSF, such that SR 500 million is specifically designated as finance for the construction of the third production line.

On January 6, 2013, the Company drew-down a further SR 15,611,211 against its specific purpose facility agreement, so as to facilitate retirement of a letter of credit. The total now outstanding is SR 428,988,996. Repayment of this loan is due to commence on March 30, 2013, however, it is the Company's intention for further roll-overs as per the terms of the facility agreement until such time as the maximum limit per the facility agreement is reached, at which time scheduled repayments will commence.

On January 15, 2013, the Company received confirmation from SIDF that a further loan of up to SR 128,600,000 for the purposes of the construction of the waste heat recovery plant had been approved. As at the date of these interim financial statements, no draw-downs of this new loan had occurred.

8. CAPITAL INCREASE AND COSTS OF ISSUANCE

On May 12, 2012, the Company completed an Initial Public Offering whereby the issued share capital of the Company was increased by SR 481 million, and existing shareholders sold shares with a value of SR 369 million. The total issuance was SR 850 million, equal to 50% of the enlarged issued share capital of the Company.

Total costs of the Initial Public Offering were SR 25,805,308, of which SR 3,855,683 was accounted for in the year ended December 31, 2010. Out of the remaining IPO expenses of SR 21,949,625, SR 9,528,720 relates to selling shareholders of which SR 1,268,821 has been recovered, whilst SR 8,259,899 is included under 'prepayments and other receivables'. The remaining IPO expenses of SR 12,420,905 are included in other income/expenses-net in the financial statements for the year ended December 31, 2012.

9. OTHER INCOME / EXPENSES - NET

Other income/expenses (net) includes the impact of the change in royalty rates for raw materials. The Company was availing lower rates for royalties on raw materials. The Ministry of Petroleum and Natural Resources concluded the five years grace period in Financial Year 2010 and that was only known to the Company in 2012, when the payment demand for Financial Year 2011 royalties was received. The impact of SR 10,659,221 has been recorded in the financial statements for the year ended December 31, 2012.

10. INSURANCE CLAIM

On April 3, 2012, a technical problem occurred in the motor of one of the cement mills in the main plant resulting in a shut-down of the mill. The motor was repaired and brought back into production on July 8, 2012. Documents relating to the incident have been provided to the insurance loss adjuster with regard to recovery of repair costs and a loss of profits insurance claim. At the date of issuance of these interim

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financial statements, it has not been possible to estimate the amounts that may be recovered under this claim, and it is unlikely that the claim will be settled until later in 2013.

11. EARNINGS PER SHARE

The weighted average numbers of shares in issue, taking into account the issue of 6,900,000 bonus shares on November 21, 2011 and the issue of 48,100,000 shares on May 12, 2012, were 152,496,944 shares (year ended December 31, 2012), 170,000,000 shares (three months period ended December 31, 2012) and 121,900,000 shares (three months period and year ended December 31, 2011).

12. DIVIDENDS

The Board of Directors in its meeting held on September 24, 2012 (corresponding to Dhul Qedah 8, 1433) resolved to distribute an interim cash dividend at the rate of SR 0.5 per share amounting to SR 85,000,000 for the 6 months ended June 30, 2012. The dividend was paid to shareholders registered on Tadawul as of the end of the day on September 29, 2012 (corresponding to Zhul Qada'h 13, 1433).

As of December 31, 2012, dividends amounting to SR 2,486,915 (2011: SR 773,935) remained unpaid and are included in 'accruals, dividends and other payables' under current liabilities.

13. CONTINGENCIES AND COMMITMENTS

As of December 31, 2012, the Company had commitments in the form of letters of credit and outward bills for collection amounting to SR 97,386,992 (2011: SR 5,518,177), letters of guarantee amounting to SR nil (2011: SR 52,695) and performance bonds amounting to SR 2,000,000 (2011: SR 2,000,000).

As of December 31, 2012, the Company had outstanding capital commitments of SR 364,721,023 (US\$ 97,258,940) (2011: SR 849,747,225 US\$: 226,599,260) relating to the construction of a third production line and waste heat recovery project at its plant. The total contract commitment is SR 1,000,875,000 (US\$ 266,900,000) (2011: SR 1,056,375,000; USD 281,700,000), of which SR 636,153,977 (US\$ 169,641,061) (2011: SR 206,627,775; USD 55,100,740) had been invoiced for works completed or paid in advance as at December 31, 2012.

The Company was subject to a field inspection by the DZIT in December 2012 to finalize the pending assessments for both zakat and withholding taxes for the financial years 2006 through 2011. The DZIT has not raised any final demand at the time of finalizing these financial statements, however, an additional demand is expected. The Company believes that materially sufficient provision is made for such assessments, should they arise.

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14. SEGMENT INFORMATION

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.

15. 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 the 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 a Murabaha investment and 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 and investment 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 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.