

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

**INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE AND SIX MONTHS PERIOD
ENDED JUNE 30, 2014**

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

**INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2014**

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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

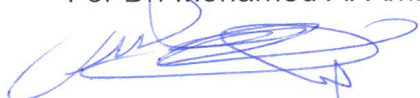
We have reviewed the accompanying interim balance sheet of Najran Cement Company ("the Company") (a Saudi Joint Stock Company) as of June 30, 2014, the related interim statement of income for the three and six months period then ended, and the related interim statements of cash flows and changes in shareholders' equity for the six months period then ended, including the related notes from 1 to 16. 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 limited review in accordance with the 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 Mohamed Al-Amri
Certified Public Accountant



July 16, 2014 (G)
Ramadan 19, 1435 (H)

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM BALANCE SHEET
AS AT JUNE 30, 2014

	<u>Note</u>	2014 Unaudited <u>SR'000</u>	2013 Unaudited <u>SR'000</u>
ASSETS			
Current assets			
Cash and cash equivalents	3	85,294	47,048
Accounts receivable		60,419	44,934
Inventories	4	349,677	165,234
Prepayments and other receivables		56,307	29,407
Total current assets		551,697	286,623
Non-current assets			
Property, plant and equipment	5	2,382,407	1,407,636
Capital work in progress	6	165,470	1,097,865
Intangible assets		10,021	19,618
Total non-current assets		2,557,898	2,525,119
TOTAL ASSETS		3,109,595	2,811,742
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade creditors		43,986	27,558
Current portion of long term loans	9	205,000	170,000
Short term financing	9	100,000	43,702
Accruals and other payables	7	75,740	53,629
Provision for zakat	8	30,354	18,354
Total current liabilities		455,080	313,243
Non-current liabilities			
Long term loans	9	686,757	613,926
End-of-service indemnities		9,143	6,908
Total non-current liabilities		695,900	620,834
Total liabilities		1,150,980	934,077
Shareholders' equity			
Capital	1	1,700,000	1,700,000
Statutory reserve		54,513	36,012
Retained earnings		204,102	141,653
Total shareholders' equity		1,958,615	1,877,665
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,109,595	2,811,742

The accompanying notes 1 to 16 form an integral part of these interim financial statements.

NAJRAN CEMENT COMPANY
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INTERIM STATEMENT OF INCOME
FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2014

	<u>Note</u>	For the three months ended June 30,		For the six months ended June 30,	
		2014 Unaudited SR'000	2013 Unaudited SR'000	2014 Unaudited SR'000	2013 Unaudited SR'000
Sales		217,361	176,831	381,606	393,454
Cost of sales		(113,385)	(94,866)	(207,000)	(208,625)
Gross profit		103,976	81,965	174,606	184,829
Selling and marketing expenses		(4,072)	(1,287)	(5,445)	(2,722)
General and administrative expenses		(6,422)	(5,520)	(13,919)	(12,502)
Operating income		93,482	75,158	155,242	169,605
Finance expenses		(6,051)	(1,755)	(11,242)	(5,426)
Other income/(expenses) - net		(46)	(169)	75	(404)
Net income before zakat		87,385	73,234	144,075	163,775
Zakat	8	(3,000)	(9,575)	(6,000)	(12,575)
Net income for the period		84,385	63,659	138,075	151,200
Earnings per share (SR):					
From operating income		0.55	0.44	0.91	1.00
From other activities, including zakat		(0.05)	(0.07)	(0.10)	(0.11)
From net income		0.50	0.37	0.81	0.89

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NAJRAN CEMENT COMPANY
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INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2014

	2014 Unaudited SR'000	2013 Unaudited SR'000
<u>Cash flows from operating activities:</u>		
Net income before zakat for the period	144,075	163,775
<i>Adjustments to reconcile net income before zakat with net cash provided by operating activities:</i>		
Depreciation	54,736	35,595
Amortization	4,099	5,556
Gain on sale of property, plant and equipment	(42)	(17)
Finance charges	7,947	2,060
End-of-service indemnities	1,159	1,100
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable	(28,283)	15,332
Inventories	(64,317)	341
Prepayments and other receivables	(3,360)	8,256
Trade creditors	(45,065)	(223)
Accruals and other payables	(5,870)	(1,841)
Cash from operations	65,079	229,934
Finance charges paid (including capitalized charges)	(11,763)	(8,052)
Zakat paid	-	(9,000)
End-of-service indemnities paid	(170)	(82)
Net cash provided by operating activities	53,146	212,800
<u>Cash flows from investing activities:</u>		
Purchase of property, plant and equipment and capital spares	(13,999)	(13,572)
Payments to contractors (capital work in progress)	(61,575)	(472,384)
Proceeds from sale of property, plant and equipment	77	17
Additions to intangible assets	-	(194)
Proceeds from short term investment	-	100,435
Net cash used in investing activities	(75,497)	(385,698)
<u>Cash flows from financing activities:</u>		
Net short term financing movements	93,837	43,702
Proceeds from long term loans	260,000	76,548
Repayment of long term loans	(245,871)	(53,000)
Dividends paid	(1,436)	(85,104)
Board of Directors' remuneration paid	(2,067)	(1,400)
Net cash provided by/(used in) financing activities	104,463	(19,254)
Net change in cash and cash equivalents	82,112	(192,152)
Cash and cash equivalents, beginning of the period	3,182	239,200
Cash and cash equivalents, end of the period	85,294	47,048
<u>Non-cash transactions:</u>		
IPO expenses deducted from dividends	-	8,260
Transfer from capital work in progress to property, plant and equipment	428,887	-
Reclassification of intangible assets to property, plant and equipment	-	755

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NAJRAN CEMENT COMPANY
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INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2014

	Capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance at January 1, 2013	1,700,000	20,892	99,073	1,819,965
Net income for the period	-	-	151,200	151,200
Transfer to statutory reserve	-	15,120	(15,120)	-
Dividends	-	-	(93,500)	(93,500)
Balance as at June 30, 2013 - Unaudited	1,700,000	36,012	141,653	1,877,665
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	1,700,000	54,513	204,102	1,958,615





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NAJRAN CEMENT COMPANY
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NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2014
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 million 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.

The Company's financial year starts on January 1 each Gregorian year and ends on December 31 of the same year.

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, 2013.

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 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.

Use of estimates

The preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that might affect the valuation of assets and liabilities and disclosures of contingent assets and liabilities at the date of the 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 ultimately may differ from those estimates.

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

- provisions for doubtful debts and slow-moving inventories
- 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, advances from customers and other receivables

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 charge for the period is included in selling and marketing expenses.

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 advances from 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, net of any provisions.

Offsetting

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

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 (property, plant and equipment), 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. 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:

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	Percentage
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 certified to have been satisfactorily completed.

Impairment of non-current assets

At each balance sheet 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 so that 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 periods. 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.

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 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 period-end, but not paid for at that date, are included in accruals and other payables.

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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 advances to suppliers and included in current assets.

End-of-service indemnities

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

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 (intangible assets) 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.

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 expenses in the statement of income.

Borrowings are classified as current liabilities (either as short term financing or as current portion of long term financing) 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.

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, however, is available for issuance of bonus shares upon obtaining appropriate approvals.

Revenue recognition

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

Cost of revenues

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

Expenses

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

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Zakat

The Company is subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided for on the accruals basis. Any difference in the estimate is recorded when the final assessment is approved, or an assessment order received.

Foreign currency translation

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 balance sheet 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.

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.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at June 30, 2014 included restricted cash amounting to SR 1,024 (2013: SR 1,843) regarding unpaid or unclaimed dividends.

4. INVENTORIES AND WORK-IN-PROGRESS

Inventories include consumable spare parts for plant and machinery amounting to SR 115,971 (2013: SR 111,042).

5. PROPERTY, PLANT AND EQUIPMENT

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

	2014	2013
Land	2,563	2,563
Buildings	996,091	505,665
Plant and quarry machinery and equipment	1,325,949	847,291
Vehicles	5,910	7,151
Furniture, fixtures and office equipment	6,977	7,625
Computers	5,903	6,350
Spare parts held for future capital use (Strategic)	39,014	30,991
	<u>2,382,407</u>	<u>1,407,636</u>

6. CAPITAL WORK IN PROGRESS

Capital work in progress included:

	2014	2013
Construction works for third production line	5,195	942,197
Construction works for waste heat recovery plant	158,122	141,471
Other development projects	294	803
Finance costs capitalized	1,859	13,394
	<u>165,470</u>	<u>1,097,865</u>

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7. ACCRUALS AND OTHER PAYABLES

Included in other payables are unpaid dividends as of June 30, 2014, amounting to SR 1,024 (2013: SR 1,843). Amounts due to contractors as of June 30, 2014 was SR 50,135 (2013: SR 25,585).

8. ZAKAT

	2014	2013
Balance at January 1,	24,354	14,779
Provision for the period	6,000	12,575
Paid during the period	-	(9,000)
Balance at June 30,	30,354	18,354

The Company has filed an appeal against an 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. These amounts are accounted for in 2013 while the Company believes that it will get substantial relief from the review proceedings.

The Company paid the withholding tax demand in January 2014 along with the penalties up to the date of such payment, so as to avoid further penalties for non-payment.

9. LONG-TERM LOANS AND SHORT TERM FINANCING

		2014	2013
Long-term loans	(9.1)	891,757	783,926
Short term financing	(9.2)	100,000	43,702
		991,757	827,628

(9.1) The movement in long term loans is as follows,

	2014	2013
Balance at January 1,	877,628	760,378
Drawn-down during the period	260,000	76,548
Repaid during the period	(245,871)	(53,000)
Balance at June 30,	891,757	783,926
Current portion of long term loans	(205,000)	(170,000)
Long term portion	686,757	613,926

Saudi Industrial Development Fund Loan

In 2008, the Company signed a long term loan agreement (amended in 2010) with Saudi Industrial Development Fund Loan ("SIDF") by which it obtained a loan of SR 454,600. The loan is repayable in fourteen installments starting June 17, 2011. The instalment of SR 35 million falling due on June 13, 2014 is being deferred until the second half of the year 2014. The loan agreement has certain conditions and guarantees, including maintaining certain financial ratios, signing promissory notes and pledging the Company's property, plant and equipment in favour of the SIDF.

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All figures in SR'000 unless otherwise stated

Commercial Banks Facilities (Tawarroq & Tayseer)

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

- Tawarroq facility for SR 398,757 to finance plant construction (3rd production line) and is repayable in equal quarterly installments of SR 25,000 each ending in June 2018.
- Tawarroq facility for SR 150,000 to finance plant construction (waste heat recovery plant). The full amount was drawn-down and is repayable in equal quarterly installments of SR 25,000 starting September 30, 2018 and ending in 2019.
- Tawarroq facility for SR 150,000 to be used for multi-purposes, of which SR 110,000 was drawn-down and is available for roll-over until the expiry of the financing agreement.

- (9.2) Short term financing represents a tayseer facility for SR 100,000, fully drawn-down, expiring in July 2014 and to be used for multi-purposes. The Company may apply for a roll-over of the facility for a further six months.

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

10. EARNINGS PER SHARE

The weighted average number of shares in issue was 170 million shares.

11. DIVIDENDS

The shareholders in their annual general meeting held on April 28, 2014 resolved that no final dividend be declared for the year ended December 31, 2013 (2013: SR 0.55 per share, amounting to SR 93,500 for the year ended December 31, 2012).

12. CONTINGENCIES AND COMMITMENTS

As of June 30, 2014, the Company had commitments in the form of letters of credit and outward bills for collection amounting to SR 7,995 (2013: SR 4,790); letters of guarantee amounting to SR 1,522 (2013: SR 6,866) and performance bonds amounting to SR 2,000 (2013: SR 2,000).

As of June 30, 2014, the Company had outstanding capital commitments of SR 12,495 (USD 3,332) (2013: SR 104,764 (USD 27,937)) relating to the ongoing construction of a waste heat recovery plant. (2013 also included the capital commitments in respect of third production line).

13. 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.

14. 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:

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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 certain commercial banks, 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. Management also ensures that covenants are complied with. 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 significant loss of revenue from these sources. The receivables 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.

15. COMPARATIVES

Certain comparatives have been adjusted to agree to the current period presentation.

16. FINANCIAL STATEMENTS APPROVAL

These financial statements were approved by the Board of Directors of the Company on July 16, 2014.