NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) AND INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

INDEX	PAGES

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

JULY 29, 2018

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

Introduction:
We have reviewed the accompanying interim condensed statement of financial position of Najran Cement Company (A Saudi joint stock company) (the "Company") as at June 30, 2018 and the related interim condensed statements of profit or loss and the other comprehensive income for the six-months period then ended, and the related interim condensed statements of changes of shareholders' equity and cash flows for the six-months period then ended, and a summary of significant accounting policies and other explanatory notes from (1) to (22). The Company's management is responsible for the preparation and presentation of these Interim condensed financial statements in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review:
We conducted our review in accordance with the international standard on review engagements 2410, "Review of Interim Financial Information Performed by the Independents Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries primarily to persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with international standards on auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express such an audit opinion.

Conclusion:
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard No. 34 endorsed in the Kingdom of Saudi Arabia.

Al-Kharashi Co.

Abdullah S. AL-Msned
License No. 456

Al-Kharashi Co.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018
(Expressed in '000 Saudi Riyals)

	Notes	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS			
NON- CURRENT ASSETS			
Property, plant and equipment	5	2,174,254	2,222,185
Intangible assets	6	2,807	3,035
Total non current assets		2,177,061	2,225,220
CURRENT ASSETS:			
Store, spare parts and loose tools	7	122,613	121,135
Stock in trade	8	286,555	306,377
Trade receivables		35,577	49,598
Advances, prepayments and other receivables	9	15,657	15,773
Cash and cash equivalents	10	18,442	12,630
Total current assets		478,844	505,513
TOTAL ASSETS		**2,655,905**	**2,730,733**
EQUITY AND LIABILITIES:			
EQUITY:			
Share capital	1	1,700,000	1,700,000
Statutory reserve		103,059	103,059
Retained earnings		173,217	225,824
TOTAL EQUITY		1,976,276	2,028,883
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Provision for employees' terminal benefits	11	26,981	25,366
Long term financing	12	520,000	500,000
Total non current liabilites		546,981	525,366
CURRENT LIABILTIES:			
Provision for zakat	13	28,842	24,343
Current portion of long term financing	12	70,687	100,718
Advances from customers		3,883	5,260
Trade payables		17,423	28,092
Accrued and other payables	14	11,813	18,071
Total current liabilites		132,648	176,484
TOTAL LIABILITIES		679,629	701,850
TOTAL EQUITY AND LIABILITIES		**2,655,905**	**2,730,733**

The accompanying notes from 1 to 22 form an integral part of these interim condensed financial statements.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018
(Expressed in '000 Saudi Riyals)

	Notes	For the three months period		For the six months period	
		June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)
Turnover - net	15	55,313	78,004	152,339	189,391
Cost of sales	16	(68,792)	(64,693)	(156,117)	(148,515)
Gross profit		(13,479)	13,311	(3,778)	40,876
Selling and distribution expense		(1,427)	(1,528)	(3,017)	(3,754)
General and administrative expense		(8,000)	(7,890)	(16,792)	(15,817)
Operating (loss) / profit for the period		(22,906)	3,893	(23,587)	21,305
Finance cost		(7,293)	(5,958)	(13,664)	(12,070)
Other income / (expenses)		(33)	341	(158)	2,758
Net (loss) / profit for the period before zakat		(30,232)	(1,724)	(37,409)	11,993
Zakat expense		(1,500)	(2,500)	(4,500)	(5,000)
Net (loss) / profit for the period after zakat		**(31,732)**	**(4,224)**	**(41,909)**	**6,993**
Other Comprehensive Income					
Items that will not be reclassifed to profit or loss		-	-	-	-
Other Comprehensive Income		-	-	-	-
Total Comprehensive (Loss)/ Income For The Period		**(31,732)**	**(4,224)**	**(41,909)**	**6,993**
Basic earnings per share (SAR)					
Net (loss) / income for the period		**(0.19)**	**(0.02)**	**(0.25)**	**0.04**
Total comprehensive (loss) / income for the period		**(0.19)**	**(0.02)**	**(0.25)**	**0.04**
Weighted average number of ordinary shares (No: '000')		**170,000**	**170,000**	**170,000**	**170,000**

The accompanying notes from 1 to 22 form an integral part of these interim condensed financial statements.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018
(Expressed in '000 Saudi Riyals)

	Capital	Statutory Reserve	Retained Earnings	Total
As at January 01, 2017 (Audited)	1,700,000	103,059	257,464	2,060,523
Net profit for the period	-	-	6,993	6,993
Transfer to statutory reserve	-	699	(699)	-
Balance as at June 30, 2017 (Unaudited)	1,700,000	103,758	263,758	2,067,515
Balance as at January 01, 2018 (Audited)	1,700,000	103,059	225,824	2,028,883
Net (loss) for the period	-	-	(41,909)	(41,909)
Adjustment for IFRS-9 adoption	-	-	(10,698)	(10,698)
Balance as at June 30, 2018 (Unaudited)	**1,700,000**	**103,059**	**173,217**	**1,976,275**

The accompanying notes from 1 to 22 form an integral part of these interim condensed financial statements.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018
(Expressed in '000 Saudi Riyals)

	Notes	For the six months period ended June 30, 2018	2017
Cash flows from operating activities:			
(Loss) / profit before zakat expense		(37,409)	11,993
Adjustments to reconcile net profit for the year to net cash generated from operational activities:			
Depreciation	5	52,042	54,636
Amortization	6	228	258
Write off of property, plant and equipment		109	-
Loss / (gain) on sale of property, plant and equipment		260	(13)
Provision for potential claims		1,404	-
Provision for bad debts		29	-
Finance cost		13,664	12,070
Provision for employees' terminal benefits	11	2,664	2,549
Operating cash flow before working capital changes		**32,991**	**81,493**
Changes in operating assets and liabilities:			
Trade receivables		2,864	5,353
Store, spare parts and loose tools		(687)	(1,389)
Stock in trade		19,032	2,135
Prepayments and other receivables		579	(430)
Advance from customers		(1,378)	(948)
Trade payables		(10,668)	(7,125)
Accrued and other payables		(4,756)	(18,632)
Cash generated from operations:		**37,977**	**60,457**
Finance charges paid		(11,196)	(12,106)
End of service benefits paid	11	(1,049)	(686)
Net cash generated from operating activities		**25,732**	**47,665**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(1,937)	(12,872)
Movements in spare parts held for capital use (strategic)		(453)	697
Addition to capital work in progress - net		(2,071)	(1,848)
Proceeds from sale of property, plant and equipment		67	55
Net cash (used in) / from investing activities		**(4,394)**	**(13,968)**
Cash flows from financing activities:			
Repayment of long term debts		(12,500)	(50,000)
Dividends paid		(26)	(289)
Board of directors' remuneration paid		(3,000)	(2,000)
Net cash (used in) financing activities		**(15,526)**	**(52,289)**
Increase / (decrease) in cash and cash equivalents		5,812	(18,592)
Cash and cash equivalents at the beginning of the period		12,630	48,812
Cash and cash equivalents at the end of the period	10	**18,442**	**30,220**

The accompanying notes from 1 to 22 form an integral part of these interim condensed financial statements.

1. CORPORATE INFORMATION:

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. On Shaaban 10, 1437 (corresponding to May 17, 2016), the Company was granted an Industrial License, number 2446.The principal activities of the Company are manufacturing of ordinary Portland cement and cement resistant to salts.

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

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

2. STATEMENT OF COMPLIANCE:

These Condensed Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting Standard as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ('SOCPA'). Approved accounting standards comprise of such International Financial reporting standards (IFRS) issued by the International Accounting Standards Board as are notified by SOCPA.

The disclosures in this condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements of the Company for the year ended December 31, 2017. Comparative condensed interim statement of financial position is extracted from annual financial statements as at December 31, 2017 whereas comparative condensed interim statement of profit or loss account, condensed interim statement of other comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from unaudited condensed interim financial information of the Company for the period ended June 30, 2017.

3. FUNCTIONAL AND PRESENTATION CURRENCY:

These Financial Statements are presented in Saudi Riyal ("SAR"), which is the Company's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES:

4.1 Basis of preparation

These financial statements have been prepared on a going concern basis under historical cost convention except for the Provision for employees' terminal benefits which are recorded at the present value of future obligations under Projected Unit Credit Method.

4.2 Use of estimation and judgments

The preparation of the accompanying IFRS financial statements, in conformity with IFRS as endorsed in Kingdom of Saudi Arabia and other standards pronouncements issued by SOCPA, requires the use of judgements, estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well disclosure of certain contingent assets and liabilities as at the date of the condensed statements of financial position date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of revision and future years if the revision affects both current and future years.

The significant areas of estimation uncertainty and critical adjustments in applying accounting policies that have most significant effect on the amounts recognized in the accompanying financial statements are as follows:

- Provisions for doubtful debts and slow-moving inventory;
- Estimated useful lives and residual values of property, plant and equipment;
- Provisions and accruals.
- Defined benefit obligations – Employees' benefits

4.3 New standards, amendments and standards issued and not yet effective:

New standards, amendment to standards and interpretations:

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from January 1, 2018, the effects of application of these standards have been elaborated in notes below.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

4.3 New standards, amendments and standards issued and not yet effective (continued):

New standards, amendment to standards and interpretations(Continued):

IFRS 9 Financial Instruments
Classification and Measurement - Financial Assets
The classification and measurement of financial assets depends on the business model and estimated cash flows. Any derivatives included in the contracts are not separated and taken into account as a whole in the classification. Financial assets are classified primarily in the following categories:

- At amortized cost
- Fair value through other comprehensive income (FVTOCI)
- Fair value through profit or loss (FVTPL)

Financial assets that are initially recognized at fair value are subsequently measured at amortized cost on the basis of the expected credit loss as follows:

- Expected credit loss for 12 months - expected credit losses arising from default events on possible financial instruments within 12 months after the reporting date.
- Expected credit loss for the expected life of the financial instrument - the expected credit loss arising from all possible default events over the life of the financial instrument.

The expected credit loss provision is created over the life of the financial instrument if the credit risk of the instrument has increased significantly since initial recognition as well as for contractual assets or trade receivables that does not constitute a financing transaction in accordance with International Financial Reporting Standard 15.

The shift:
Changes in accounting policies resulting from application of IFRS 9 are generally applied retrospectively. However, companies can benefit from the exemption that allows them not to modify comparative information for prior periods with respect to changes in classification and measurement (including reduction). Differences in the carrying amounts of financial assets and financial liabilities arising from the application of the IFRS are recognized in retained earnings and reserves as at 1 January 2018.
The business model in which the financial asset held is determined. Some of previous financial assets were identified and cancelled.

(Expressed in '000 Saudi Riyals)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

4.3 New standards, amendments and standards issued and not yet effective (continued):

New standards, amendment to standards and interpretations (Continued):

The Company has adopted expected credit loss method following a general approach by making changes to the provisions against trade receivables by adopting a 12-months expected credit loss model. Moreover, specific provisions are kept by the Company against certain receivables. The details of the changes adopted by the Company in respect of the new significant accounting policies with reference to IFRS-9 are as follows:

ECL Based General and Specific Provisions against trade receivables:

	Amounts before adoption	Adjustment	As reported under IFRS-9
Impact on opening retained earnings	225,824	(10,698)	215,126
Impact on current year profit or loss statement (net loss)	(10,148)	(29)	(10,177)

IFRS 15 Revenue from Contracts with Customers:

IFRS 15 provides a single comprehensive model for use in accounting for revenue arising from contracts with customers. This reporting Standard replaces the Income Recognition Guidelines in IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The primary objective of IFRS 15 is that an entity should recognize revenue in exchange for the carriage of goods or services to customers in an amount that reflects the material compensation that the enterprise expects for such goods or services.

Effective 1 January 2018, the Company recognizes revenue when the customer obtains control of the goods and recognizes receipt in accordance with the requirements of IFRS 15. The standard defines a 5-step revenue recognition model:

Step 1: Identify contracts or contracts with customers.
Step 2: Define performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Revenue recognition when the entity satisfies the performance requirements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

4.3 New standards, amendments and standards issued and not yet effective (continued):

Through IFRS 15, revenue is recognized on the performance of the obligation, when control over the goods or services performing a particular obligation is transferred to the customer.

Impact of application of the standard:

The Company's current accounting policies with reference to the adoption of IFRS 15 have no impact on the Company's financial statements at June end.

4.3.1 New standards, amendments and standards issued and not yet effective:

Standards issued but not yet effective:

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting years beginning on or after 1 January 2019 with earlier application permitted. However, the Company has not early adopted the following new or amended standards in preparation of these financial statements.

IFRS 16 –'Leases' (effective for annual years beginning on or after 1 January 2019).IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 determining whether an arrangement contains a lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the substance of transactions involving the legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from contracts with customers at or before the date of initial application of IFRS 16.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

4.3.1 Standards issued but not yet effective (continued):

Transition

As a lessee, the Company can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

As a lessor, the Company is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

The principal accounting policies applied in the preparation of these financial statements are set out below.

Annual Improvements to IFRSs 2015–2017 Cycle

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business.

- If a party maintains (or obtains) joint control, then the previously held interest is not re-measured.
- If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party re-measures the previously held interest at fair value.

IAS 12 Income Taxes - clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity.

IAS 23 Borrowing Costs - clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date, an entity adopts the amendments.

Other amendment

The following amendment to standards are not yet effective and neither expected to have a significant impact on the Company's Interim Financial Statements:
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

4.4 Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.
A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.
  The company classifies all other liabilities as non-current.

4.5 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the company.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

4.5 Fair Value Measurement (continued):

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Methodologies for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis using level 1 or level 2 indicators, the company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Loans having fixed maturities are recorded at discounted values based on the effective interest rate method.

4.6 Property, plant and equipment

Property, plant and equipment, except land which is not depreciated, are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Expenditure on repairs and maintenance is expensed, while expenditure for improvement is capitalized. Depreciation is provided over the estimated useful life lives of the applicable assets using the declining balance method and appropriate residual values. Company reviews the appropriateness of the rate of depreciation / amortization, useful life and residual values used for recording the depreciation on annual basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

4.6 Property, plant and equipment

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

	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%
Strategic spare parts	5%

Capital work in progress includes all costs (including advance payments) which have not been reclassified as one of the asset classes noted above. Capital work in progress is re-classified as property, plant and equipment when the relevant performance tests have been satisfactorily completed. No depreciation is provided for in respect of capital work in progress.

4.7 Intangible assets

All costs paid to acquire the intangible assets are capitalized. It is stated at cost less accumulated amortization. The intangible assets of the Company are amortized over an estimated useful life using the straight-line method.

Intangible assets include software and licenses. Computer software licenses are capitalized based on the cost incurred to acquire and bring into use the specific software. Amortisations charged to the statement of profit or loss on reducing balance basis over an estimated useful life from the date the software is available for use. Cost associated with maintaining software programs are recognized as expense when incurred while development cost is capitalized on meeting certain criteria.

Amortisation periods for license are determined primarily by reference to the unexpired license period, the conditions for license renewal and whether licenses are dependent on specific technologies. Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives from the commencement of related services.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

4.8 Inventories

Inventories are measured at the lower of cost or net realizable value. Cost is measured using weighted average method. Spare parts and other consumables are charged to expenses on purchase. Significant spare parts having useful life of more than one year shall be capitalized as part of the property, plant & equipment to which they belong. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

4.9 Accounts receivable

Accounts receivables are stated at original invoice amount less provision for doubtful debts, if any. Provision for doubtful debts / receivables is based on the management's assessment of customers' outstanding balances and creditworthiness. Bad debts are written-off when identified.

The company has a policy of requiring certain customers to pay in advance of receipt of goods. Where advances from customers have been received but goods are not delivered at the reporting period, it is classified as advances from customers and included in current liability.

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.

4.10 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash in hand and in transit, balances with banks on current, deposit and saving accounts, and short-term highly liquid investments subject to insignificant risk of changes in values, which fall due in no more than three months and no restriction exists on their monetization on account of the Company.

4.11 Zakat and income tax

Zakat provision is provided for in accordance with General Authority of Zakat and Income Tax (GAZT) regulations. Submission and disclosure of provisions in the financial statements shall be according to the Zakat and tax rules.

4.12 Trade and accounts payables

Accounts Payable are measured at their fair value, net of trade discounts. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.13 Defined benefits obligation- employees' benefits

Employees' end-of-service benefits is calculated based on Company's internal policy. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods.
Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income, in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

The Company recognises the following changes in the defined benefits obligation under 'operating cost' and 'general and administrative expenses' in the profit and loss account:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Interest expense

The calculation of defined benefits obligation is performed annually by a qualified actuary using the projected unit credit method.

4.14 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 30% 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.

4.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is shown net of sales returns and discounts. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns and trade discounts.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Foreign currency translations

These financial statements are presented in Saudi Arabian Riyals (SAR), which is the Company's functional currency. Transactions in foreign currencies are recorded using the exchange rates prevailing at the time of transaction. Foreign exchange gains or losses resulting from settlement of the transaction and translation at the period end are recorded according to exchange rates prevailing on that date and are recognized in the profit or loss account.

4.17 Cost of sales

The cost of sales is calculated on the basis of the cost of production of sold units charged with all actual direct costs, which shall include the cost of materials, production supplies, cost of labour, and amortizations of direct fixed assets, in addition to their share of indirect expenses.

4.18 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Chief Operating Decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(Expressed in '000 Saudi Riyals)

5. PROPERTY, PLANT AND EQUIPMENT:

	Land	Buildings	Plant, quarry, machinery and other equipment	Vehicles	Furniture and fixtures, and office equipment	Computers	Assets held for future use (strategic)	Capital work in progress	Total
Cost:									
At January 1, 2018	2,563	1,162,563	1,854,403	22,012	13,147	4,391	37,923	2,955	3,099,957
Additions during the period	-	338	646	820	82	50	453	2,157	4,546
Disposals during the period	-	-	-	(632)	(139)	(186)	-	-	(957)
Write offs during the period	-	-	-	-	-	-	-	(109)	(109)
Transfers during the year	-	86	-	-	-	-	-	(86)	-
At June 30, 2018 (unaudited)	2,563	1,162,987	1,855,049	22,200	13,090	4,255	38,376	4,917	3,103,437
Accumulated Depreciation:									
At January 1, 2018	-	280,986	569,315	16,968	8,031	2,472	-	-	877,772
Charge for the period	-	17,487	33,459	687	267	142	-	-	52,042
Disposals during the period	-	-	-	(381)	(98)	(152)	-	-	(631)
At June 30, 2018 (unaudited)	-	298,473	602,774	17,274	8,200	2,462	-	-	929,183
Net Book Value:									
At June 30, 2018 (unaudited)	**2,563**	**864,514**	**1,252,275**	**4,926**	**4,890**	**1,793**	**38,376**	**4,917**	**2,174,254**
At December 31, 2017 (audited)	**2,563**	**881,577**	**1,285,088**	**5,044**	**5,116**	**1,919**	**37,923**	**2,955**	**2,222,185**

5.1 The Company's PPE, except the headquarters building at Najran, are constructed on two separate leased lands from the Government at Sultanah and Aakfah areas in Najran region for periods of 30 and 25 years respectively and are renewable at the option of the Company.

(Expressed in '000 Saudi Riyals)

6. INTANGIBLE ASSETS:

	June 30, 2018	December 31, 2017
Cost:		
Balance at the beginning of the period / year	7,446	7,276
Additions during the period / year	-	170
Balance at the end of the period / year	7,446	7,446
Accumulated amortization:		
Balance at the beginning of the period / year	4,411	3,895
Amortization for the period / year	228	516
At the end of the period / year	4,639	4,411
Net book value	**2,807**	**3,035**

Amortization expense is included in general and administration expenses.

7. STORES, SPARE PARTS AND LOOSE TOOLS:

	June 30, 2018	December 31, 2017
Consumables spare parts	126,613	125,135
Less: provision for slow moving items and clinker stock handling	(4,000)	(4,000)
Net balance	**122,613**	**121,135**

7.1 Strategic spares held for future capital use amounting to SR 38,376 (2017: SR 37,923) are classified within property, plant and equipment.

8. STOCK IN TRADE:

	June 30, 2018	December 31, 2017
Raw materials, fuel and packing materials	21,032	20,450
Work in process	257,540	278,997
Finished goods	7,983	6,930
Total	**286,555**	**306,377**

(Expressed in '000 Saudi Riyals)

9. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES:

	June 30, 2018	December 31, 2017
Advances to suppliers	4,287	5,901
Prepaid expenses	6,087	4,136
Refundable custom duties - net	2,038	2,570
Other receivables	3,245	3,166
Total	**15,657**	**15,773**

10. CASH AND CASH EQUIVALENTS

	June 30, 2018	December 31, 2017
Current accounts at banks	**18,442**	**12,630**

Cash at bank includes unclaimed dividends of SR 1,015 (2017: SR 1,041).

11. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS:

The movement in provision for end-of-service benefits is as follows:

	June 30, 2018	December 31, 2017
Balance at beginning of the period / year	25,366	21,109
Current service cost	2,664	3,699
Interest cost	-	796
Amount recognised in profit or loss account	2,664	4,495
Re-measurement loss recognized in other comprehensive income	-	1,211
Benefits (paid) during the period / year	(1,049)	(1,449)
Balance at the end of the period / year	**26,981**	**25,366**

(Expressed in '000 Saudi Riyals)

12. LONG TERM FINANCING:

	Banque Saudi Fransi		SUKUK	
	Note 12.1	Note 12.1	Note 12.2	Total
Principal amount as of January 01, 2018	50,000	150,000	400,000	600,000
Accrued mark up	466	1,865	856	3,187
	50,466	151,865	400,856	603,187
Less: Repayments/ redemptions during the period	12,500	-	-	12,500
Net principal amount	37,966	151,865	400,856	590,687
Less: Transferred to current liabilities	37,966	31,865	856	70,687
Balance as of June 30, 2018 (long term portion)	-	120,000	400,000	520,000

12.1 Commercial Banks Facilities (Tawarroq):

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

On 22nd January, 2018, the commercial credit facilities of the company got restructured. The specific facility outstanding balance of SR 50 million against third production line that was repayable in two quarterly instalments of SR 25 million by the end of June 2018 is now to be paid in four quarterly instalments of SR 12.50 million till the end of December 2018. The specific facility of SR 150 million against waste heat recovery project that was repayable in six quarterly instalments of SR 25 million, starting from September 2018 till December 2019 is now to be paid in ten quarterly instalments of SR 15 million with repayment starting from March 2019 till the end of June 2021. The mark up increased from 1.75% to 2.50%. All other terms and condition remained the same.

The Company has other facilities for a total amount of SR 100,000 that are available but not utilized by the Company. The facilities are secured by, inter alia, four order notes amounting to SR 290,550 and assignment of the insurance policy for the third production line.

12.2 Sukuk:

In June 2015, the Company privately placed an unrated but registered Sukuk of SR 400,000 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.

For SUKUK, one of the loan covenants are not in compliance, the management has written to the SUKUK administrator to obtain the waiver letter for the same, which they expect to receive in the next quarter.

(Expressed in '000 Saudi Riyals)

13. PROVISION FOR ZAKAT:

	June 30, 2018	December 31, 2017
Balance at January 1	24,342	24,993
Provision for the period / year	4,500	11,300
Payments made during the period / year	-	(11,950)
Balanse at end of the period/ year	**28,842**	**24,343**

14. ACCRUED AND OTHER PAYABLES:

	June 30, 2018	December 31, 2017
Raw material royalties payable	4,892	10,269
VAT liability payable	237	-
Other payables	5,005	6,241
Accrued expenses	664	520
Dividends payable	1,015	1,041
Total	**11,813**	**18,071**

15. TURNOVER - NET:

	JUNE 30,	
	2018	2017
Gross turnover	200,005	235,606
Less: incentives	(47,666)	(46,215)
Turnover - net	**152,339**	**189,391**

(Expressed in '000 Saudi Riyals)

16. COST OF SALES:

	JUNE 30,	
	2018	2017
Raw and packing material consumed	5,263	7,896
Salaries, wages and related benefits	30,427	28,654
Royalties on raw materials	4,420	5,410
Blasting costs	2,531	2,214
Material handling and transport	6,370	3,335
Fuel and power	17,013	25,145
Repairs and maintenance	9,655	16,964
Operation and management expenses	5,500	4,452
Insurance	2,218	2,443
Depreciation	51,178	53,756
Ground lease rents	150	150
Other expenses	2,540	3,834
	137,265	154,253
Changes in inventories level	18,852	(5,738)
Cost of sales	**156,117**	**148,515**

16.1 The cost of sales includes indirect cost which relates to the non-operating part of the Company's production line(s) during the period amounting to SR 43,038 (2017: SR 27,616).

17. CONTINGENT LIABILITES:

As of June 30, 2018, the Company had commitments in the form of letters of credit and bills for collection amounting to SR 138 (2017: SR 40).

18. SEGMENTAL REPORTING:

The Company operates in one trading segment and all sales are within the Kingdom of Saudi Arabia. Further, significant amount of liabilities of the company is payable in Saudi Arabia.

19. FINANCIAL RISK MANAGEMENT AND OBJECTIVES AND POLICIES:

The Company finances its operations through equity and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the Company is exposed to market risk (including profit rate risk, currency risk and other price risk), credit risk and liquidity risk. The Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as investments, trade and other receivables. The Company has various financial liabilities such as long-term financing, trade and other accounts payable.

Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: profit rate risk, currency risk and other price risk.

a. Profit rate risk:

Profit rate risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market profit rates. The Company mitigates its risk against exposure through focusing on maintaining bank balances. As of the balance sheet date the Company is not materially exposed to profit rate risk.

b. 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. US dollar rate is fixed with the Saudi Riyal. Certain transactions are in Euros, but these are not material.

c. Other price risk:

Other price risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices.

(Expressed in '000 Saudi Riyals)

19. FINANCIAL RISK MANAGEMENT AND OBJECTIVES AND POLICIES(CONTINUED):

Credit risk:

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. 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 portion of both revenues and accounts receivable balances. These customers have provided appropriate guarantees ensuring that their debts will be recoverable. All major customers are high profile customers with the Kingdom of Saudi Arabia and there is no reason to suggest that there will be a loss of revenue from these sources.

In determining the recoverability of a trade receivable, the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Liquidity risk:

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. To mitigate this risk, management monitors the maturity profile of its financial assets and liabilities to ensure that adequate liquidity if maintained.

Exposure to liquidity risk:

Maturity profile of the company's loan financial liabilities based on contractual payments:

	June 30, 2018			December 31, 2017		
	Within 1 year	1 -5 years	More than 5 years	Within 1 year	1 -5 years	More than 5 years
Long term financing	70,687	520,000	-	100,718	500,000	-
Trade payables	17,423	-	-	28,092	-	-
Accrued and other payables	11,813	-	-	18,071	-	-
Provision for zakat	28,842	-	-	24,343	-	-
Total	**128,765**	**520,000**	-	**171,224**	**500,000**	-

20. SUBSEQUENT EVENTS:

In the opinion of the management, there have been no significant subsequent events since the period end that would have a material impact on the financial position of the Company as reflected in these Financial Statements.

21. COMPARATIVE FIGURES:

Comparative figures have been reclassified/ regrouped, wherever necessary, to conform to the presentation adopted in the current period.

22. BOARD OF DIRECTORS APPROVAL:

These financial statements were approved by the Board of Directors of the Company on July 29, 2018.