

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

**CONDENSED INTERIM FINANCIAL  
STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT ON REVIEW OF  
CONDENSED INTERIM FINANCIAL  
STATEMENTS FOR THE THREE MONTHS  
PERIOD ENDED 31 MARCH 2019**

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

**CONDENSED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S  
REVIEW REPORT  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH, 2019**

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**INDEPENDENT AUDITOR'S REPORT ON REVIEW OF  
CONDENSED INTERIM FINANCIAL STATEMENTS**

To the shareholders  
Saudi Cement Company  
(A Saudi Joint Stock Company)  
Dammam - Kingdom of Saudi Arabia.

**Introduction**

We have reviewed the accompanying condensed interim financial statements of Saudi Cement Company (A Saudi Joint Stock Company) ("the Company") which comprises of interim statement of financial position as at 31 March 2019, the related interim statements of income and other comprehensive income, changes in equity and cash flows for the three months period then ended, and a summary of significant accounting policies and selected notes from (1) to (11).

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 (IAS 34) – "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

**Scope of review**

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements for the three months period ended 31 March 2019 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.

M. A. Al-Amri

Dr. Mohamed A. Al-Amri  
Certified Public Accountant  
Registration No. 60



April 30, 2019 G  
Sha'ban 25, 1440 H

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

**INTERIM STATEMENT OF FINANCIAL POSITION**

As at 31 March 2019

	31 March 2019 (Un-Audited) SR '000	31 December 2018 (Audited) SR '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	4	2,580,904
Right-of-use assets	3	34,006
Investments in associates		59,730
<b>Total non-current assets</b>		<b>2,674,640</b>
<b>Current assets</b>		
Inventories		780,970
Trade receivables		360,166
Prepayments and other receivables		54,790
Cash and cash equivalents		307,529
<b>Total current assets</b>		<b>1,503,455</b>
<b>TOTAL ASSETS</b>		<b>4,178,095</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital		1,530,000
Statutory reserve		459,000
Retained earnings		929,597
<b>Total equity</b>		<b>2,918,597</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Employees' benefits		75,237
Lease liabilities	3	30,857
<b>Total non-current liabilities</b>		<b>106,094</b>
<b>Current liabilities</b>		
Lease liabilities	3	5,432
Islamic financing	5	720,000
Trade payables		82,189
Dividend payable		224,554
Accruals and other payables		112,073
Provision for Zakat		9,156
<b>Total current liabilities</b>		<b>1,153,404</b>
<b>TOTAL LIABILITIES</b>		<b>1,259,498</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,178,095</b>

Designated Member / CEO



Finance Manager



The accompanying notes from 1 to 11 form an integral part of these condensed interim financial statements

**SAUDI CEMENT COMPANY**  
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**INTERIM STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME (UN-AUDITED)**

For the three months period ended 31 March 2019

	Three months period ended 31 March	
	2019 SR '000	2018 SR '000
Sales	390,359	330,458
Cost of sales	(209,321)	(161,141)
<b>GROSS PROFIT</b>	<b>181,038</b>	<b>169,317</b>
Selling and distribution expenses	(24,410)	(7,122)
General and administrative expenses	(15,632)	(13,725)
<b>OPERATING PROFIT</b>	<b>140,996</b>	<b>148,470</b>
Other income	1,586	374
Share in net results of associates	(990)	536
Islamic financial charges	(5,756)	(3,503)
<b>INCOME BEFORE ZAKAT</b>	<b>135,836</b>	<b>145,877</b>
Zakat	(3,396)	(3,647)
<b>NET INCOME FOR THE PERIOD</b>	<b>132,440</b>	<b>142,230</b>
<b>Other comprehensive income</b>		
<i>Item that will not be reclassified to profit or loss in subsequent period</i>		
Share of other comprehensive income of associates	362	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>132,802</b>	<b>142,230</b>
<b>Earnings per share (Saudi Riyals)</b>		
Basic and diluted earnings per share attributable to the equity holders of the Company	0.87	0.93

**Designated Member / CEO**

**Finance Manager**

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

**INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**

For the three months period ended 31 March 2019

	Share capital SR '000	Statutory reserve SR '000	Retained earnings SR '000	Total SR '000
Balance as at 1 January 2018	1,530,000	459,000	888,867	2,877,867
Net income for the period	-	-	142,230	142,230
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	142,230	142,230
Balance at 31 March 2018	1,530,000	459,000	1,031,097	3,020,097
Balance as at 1 January 2019	<b>1,530,000</b>	<b>459,000</b>	<b>798,143</b>	<b>2,787,143</b>
Impact of adoption of IFRS 16 (note 3)	-	-	<b>(1,348)</b>	<b>(1,348)</b>
Net income for the period	-	-	<b>132,440</b>	<b>132,440</b>
Other comprehensive income	-	-	<b>362</b>	<b>362</b>
Total comprehensive income	-	-	<b>132,802</b>	<b>132,802</b>
Balance at 31 March 2019	<b>1,530,000</b>	<b>459,000</b>	<b>929,597</b>	<b>2,918,597</b>

  
Designated Member / CEO

  
Finance Manager

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**SAUDI CEMENT COMPANY**  
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**INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)**

For the three months period ended 31 March 2019

	Three months period ended 31 March	
	2019 SR '000	2018 SR '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before Zakat	135,836	145,877
<b>Adjustments to reconcile income before zakat to net cash provided by operating activities:</b>		
Depreciation - property plant and equipment	51,169	50,559
Depreciation - right-of-use assets	1,661	-
Islamic financial charges	5,756	3,503
Gain on sale of property, plant and equipment	(367)	-
Share in results of associates	990	(536)
Employees' end of service benefit, net	622	(898)
	<b>195,667</b>	<b>198,505</b>
<b>Working capital changes</b>		
Inventories	29,469	3,465
Trade receivables	(49,701)	(71,557)
Prepayments and other receivables	12,638	406
Trade payables	2,378	(14,135)
Accruals and other payables	(13,054)	(8,969)
	<b>(18,270)</b>	<b>(90,790)</b>
Islamic financial charges paid	(5,756)	(3,503)
Zakat paid	(10,179)	(9,481)
	<b>161,462</b>	<b>94,731</b>
<b>Net cash generated from operating activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment, net	(19,720)	(8,646)
Proceed from sale of property plant and equipment	406	-
Additional investments made in associate	(3,450)	-
	<b>(22,764)</b>	<b>(8,646)</b>
<b>Net cash used in investing activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net movements in islamic financing	100,000	50,000
Repayments of lease liability	(725)	-
	<b>99,275</b>	<b>50,000</b>
<b>Net cash generated from / (used in) financing activities</b>		
Net change in cash and cash equivalents	237,973	136,085
Cash and cash equivalents at the beginning of the period	69,556	119,876
<b>Cash and cash equivalents at the end of the period</b>	<b>307,529</b>	<b>255,961</b>

  
**Designated Member / CEO**

  
**Finance Manager**

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**

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For the three months period ended 31 March 2019

**1 CORPORATE INFORMATION**

Saudi Cement Company ("the Company") is a Saudi Joint Stock Company incorporated under Royal Decree number 6/6/10/726 dated 8 Rabi' II 1375 H (corresponding to 23 November 1955) and registered in the Kingdom of Saudi Arabia, in the city of Dammam under Commercial Registration number 2050000602 dated 6 Dhul Qaidah 1377 H (corresponding to 24 May 1958). The Company is engaged in manufacturing and selling cement and its related products.

The Company obtained under the Royal Decree number 10/6/6/8500 dated 26 Rajab 1370H (corresponding to 3 May 1951) the right of the mining concession for the extraction of limestone, gypsum and clay and all the necessary materials for the manufacture of cement in Al Hassa for 30 years period. Thereafter, the Company obtained the licenses for the existing quarries under the Royal Decree number M/11 dated 29/04/1405H (corresponding to 22/01/1985) which gives mining concession for the extraction of limestone, gypsum and clay and all the necessary materials for the manufacture of cement for 30 years period. In the year 1985, a Saudi Bahraini Company obtained the right of the mining concession for the extraction of limestone, gypsum and clay under the Royal Decree number M/12 dated 29/04/1405H (corresponding to 22/01/1985) which was merged with the Saudi Cement Company in 1990. Accordingly, the Ministry of Petroleum and Mineral Resources resolved on 04/01/1412H (corresponding to 15/07/1991) to transfer all quarries and related licenses of Saudi Bahraini Company to the Saudi Cement Company. Currently, the Company has obtained the consent of all the concerned parties, with regards to the renewal of the rights of mining concession and the renewal process for another period is in place.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

These condensed interim financial statements have been prepared in accordance with International Accounting Standard, "*Interim Financial Reporting*" ("IAS 34") as endorsed in Kingdom of Saudi Arabia ("KSA").

The disclosures in these condensed interim financial statements do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 31 December 2018.

The methods of computation and accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018 except as stated in note 3.

**2.2 Basis of measurement**

These condensed interim financial statements are prepared under the historical cost convention, using the accruals basis of accounting, except for certain employees' benefits which are measured at present value.

All values are rounded to the nearest thousand (SR '000), except when otherwise indicated.

**2.3 Functional and presentation currency**

These condensed interim financial statements are presented in Saudi Riyals (SR) which is the functional and presentation currency of the Company.

**2.4 New standards, interpretations and amendments adopted by the Company**

The Company has adopted IFRS 16 Leases from 1 January 2019, and the effect of application of this standard has been fully explained in Note 3. There are no other new standards issued, however,



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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**

For the three months period ended 31 March 2019

There are number of amendments to standards which are effective from 1 January 2020, but they do not have a material effect on the Company's condensed interim financial statements.

**3 CHANGES IN ACCOUNTING POLICIES**

IFRS 16 replaces 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'. IFRS 16 'Leases' introduces a single, on-balance sheet 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. The Company has adopted IFRS 16 from 1 January 2019 (date of initial application) by using "Modified Retrospective Method" with cumulative effects recognised at the date of initial application. The Company has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

*Adjustments recognized on adoption of IFRS 16*

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.5% per annum.

The re measurements to the lease liabilities were recognized as adjustments to the related right-of-use assets immediately after the date of initial application:

	<b>SR '000</b>
Operating lease commitments as at 31 December 2018	43,013
Discounted using the Company's incremental borrowing rate at inception	<u>(5,998)</u>
Lease liability recognized at 1 January 2019	<u>37,015</u>

*Lease liabilities as at period end are as follows:*

	<b>31 March 2019 SR '000</b>	<b>01 January 2019 SR '000</b>
Non-current portion of lease liabilities	30,857	30,857
Current portion of lease liabilities	5,432	6,158
Total lease liabilities	<u>36,289</u>	<u>37,015</u>

The total interest expense on lease liabilities recognized during the period ended 31 March 2019 is SAR 415,025.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The Company applies IAS 36 – "Impairment of Assets" to determine whether a right of use asset is impaired.

The recognized right-of-use assets relate to the following types of assets:

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**

For the three months period ended 31 March 2019

**3 Changes in accounting policies (continued)**

	<b>31 March 2019 SR '000</b>	01 January 2019 SR '000
Land	16,836	17,352
Building	361	383
Vehicles	16,809	17,907
Equipment	-	25
Total right-of-use assets	<u>34,006</u>	<u>35,667</u>

There were no additions to right-of-use assets during the three months period ended 31 March 2019. The right-of-use assets are depreciated over the shorter of the lease term or useful life of the underlying assets.

The change in accounting policy has affected the following items in the statement of financial position as of 1 January 2019:

-Right -of-use assets – increased by	<b>SR '000</b> 35,667
-Lease liabilities – increased by	37,015
-The net impact on retained earnings on 1 January 2019 was a decrease of	<u>1,348</u>

**4 PROPERTY, PLANT AND EQUIPMENT**

During the period, the Company purchased items of property, plant and equipment amounted to SR 16.1 million (31 December 2018: SR 21.6 million) whereas additions to capital work in progress amounted to SR 3.6 million (31 December 2018: SR 52.0 million).

**5 ISLAMIC FINANCING**

The Islamic facilities have been obtained from various local banks to meet the working capital requirements with a total facility amount of SR 1,950 million (31 December 2018: SR 1,800 million), the utilised balance as of 31 March 2019 is SR 720 million (31 December 2018: SR 620 million). These Islamic facilities carry varying financial costs in excess of SIBOR and are consistent with the terms of each facility agreement that are secured by promissory notes issued by the Company and carry charges agreed with the facilities' providers.

The outstanding Islamic financing is classified under current liabilities in the interim statement of financial position as it is repayable within 12 months from the reporting date.

The facility agreements contained certain covenants, which requires among other things, certain financial ratios to be maintained. The Company was in compliance with these ratios as of 31 March 2019 and 31 December 2018.

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(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**

For the three months period ended 31 March 2019

**6 RELATED PARTY TRANSACTIONS AND BALANCES**

The following table provides the total amount of transactions that have been entered into with related parties during the three months period ended 31 March 2019 and 31 March 2018 and related parties balances as at 31 March 2019 and 31 December 2018.

<i>Related party</i>	<i>Relationship</i>	<i>Nature of transaction</i>	<i>Three months period</i>		<i>Ending balance</i>		
			<i>Amount of transaction</i>				
			<i>31 March 2019</i>	<i>31 March 2018</i>	<i>31 March 2019</i>	<i>31 December 2018</i>	
			<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
<b>i) Trade receivables</b>							
United Cement Company	Associate	Sales	<b>14,956</b>	3,298	<b>14,060</b>		12,422
<b>ii) Advances to a related party</b>							
Cement Product Industry Company Limited	Associate	Advance paid	-	-	-		3,450
<b>iii) Trade payables</b>							
Cement Product Industry Company Limited	Associate	Purchases of raw material	<b>7,838</b>	6,615	-		491
Wataniya Insurance Company	Affiliate	Insurance on property plant and equipment	<b>6,549</b>	5,513	<b>79</b>		79

***Terms and conditions of transactions with related parties***

The sales to and purchases from related parties are made in the ordinary course of business. Outstanding balances at the period ended 31 March 2019 are unsecured and settled in cash. There have been no guarantees provided to amounts due to related parties. However, amounts due from related parties were fully covered by bank guarantees. For the period ended 31 March 2019, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party, the market in which the related party operates and its credit risk characteristics.

The compensations to key executives for the period ended 31 March 2019 is SR 3.77 Million (31 March 2018: SR 3.7 million).

Prices and terms of payments for the above transactions are approved by the Company's management.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**

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For the three months period ended 31 March 2019

**7 CAPITAL COMMITMENTS**

As of 31 March 2019, the capital expenditure contracted by the Company but not incurred till year end was approximately SR 111.4 million (31 December 2018: SR 117.12 million).

**8 SEGMENT INFORMATION**

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

All of the Company's operations are related to one operating segment which is cement manufacturing and are substantially sold to local customers. Accordingly, segmental analysis by geographical and operating segment has not been presented.

**9 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

As of 31 March 2019 and 31 March 2018, all of the Company's financial instruments have been carried at amortised cost and the Company does not hold any financial instruments measured at fair value. However, the carrying value of the financial assets and liabilities in the interim statement of financial position approximates to the fair value.

**10 DIVIDENDS**

Subsequent to period end, on 11 Sha'ban 1440H (corresponding to 16 April 2019), the General Assembly approved the Board of Directors' proposal to distribute cash dividends amounting to SR 1.75 per share (SR 267.75 million in total) for the second half of 2018.

**11 APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS**

These condensed interim financial statements were authorized for issue and approved on April 30, 2019 G.