NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
THE FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2017

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AlKharashi & Co.
Certified Accountants And Auditors

Independent Auditor's Report on Audit of Financial Statements

February 22, 2018

Report on the Audit of the Financial Statements
To the Shareholders of Najran Cement Company
(A Saudi Joint Stock Company)

Opinion:

We have audited the financial statements of Najran Cement Company (the Company), which comprise the statement of financial position as at December 31, 2017, and the statement of profit or loss and other comprehensive income , statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion:

We conducted our audit in accordance with International Standards on Auditing (ISAs) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter, a description of how our audit addressed the matter is set out below:

Key audit matters	How the matter was addressed in our audit
Turnover and discounts: 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	Our procedures included examining the management reports for sales and discounts and performing the below procedures: • Obtain statement of sales summaries and performed test of controls on sales journals • Obtained the customer wise sales reports and performed arithmetic and analytical reconciliations

management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns and trade discounts. The recording of sales and discounts is considered a key audit matter. **Provision for doubtful debts:** Debts include amounts due from customers for goods sold or services rendered in the ordinary course of business. Accounts receivable are recognized at the original invoice amount less any provision for doubtful debts. An estimate is made for doubtful debts when there is substantial doubt that the full amount cannot be collected. The inclusion of the provision for significant provisions is considered a key audit matter.	• Obtain approvals for sales incentives and discounts. • Performed controls testing on the Company's ERP and arranged meeting with management to reconcile the sales and discounts reports. Our procedures included examining the management's estimate of the provision of doubtful debts on the following: • Obtain a statement of the life of the outstanding debts at the end of the financial year and match them with the carrying balances • Obtaining the credentials of the debtors for a sample of existing balances • Obtain letters from legal consultants of the company • Meeting with management to understand the measures taken to estimate provision for doubtful debts.
Provision for slow moving and obsolete goods: Inventories are stated at the lower of cost and net realizable value less any provision for any obsolete or slow moving stock. Net realizable value includes significant provisions for the estimation of slow moving and obsolete inventories. In allocating slow moving inventory, the management relies on its experience to understand the nature and use of inventory, actual inspection and operational status. The inclusion of the provision for significant provisions is considered a key audit matter.	Our procedures included examining the management's estimate of slow moving and obsolete goods: • Verify the actual presence and condition of a sample of randomly selected items and also performing the annual physical count with the management. • Review of stock assessment test last year. • Obtain a statement of slow-moving items and their aging schedule. • Arranged meeting with management to understand the actions taken to estimate the provision for obsolescence.
Tangible and intangible assets Intangible assets are categorized and reported separately under IAS-38. 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 estimated useful lives. Management relies on the nature and use of the assets acquired to categorized those in tangible and intangible assets. The inclusion and categorization of the intangible assets is considered a key audit matter.	Our procedures included examining the management's control on identification and bifurcation of assets into tangible and intangible assets including: • Review of assets listing and identification of intangible assets. • Review of useful lives of tangible and intangible assets and accordingly review the depreciation and amortization expense. • Review of management future programs for changes in ERP for automation of identification and bifurcation of intangible assets. Arranged meeting with management to understand the actions taken to review assets for any impairment losses.

Opening balances The auditors are responsible under ISA 510 to obtain the sufficient appropriate audit evidence that the opening balances are devoid of any material misstatements and prior year accounting policies are consistently applied in the current period's financial statements or changes thereto are appropriately accounted for and adequately presented. The review of opening balances is considered a key audit matter.	Our procedures included the following : • Review of most recent financial statements and the predecessor audit report including disclosures. • Check that the prior year closing balances have been correctly brought forward. • Perform specific audit procedures to obtain evidence regarding the opening balances • Arranged meeting with management to understand and verify the reclassifications and rearrangements made in the opening balances.

Other information included in the Company's annual report for the year ended 31 December 2017

Other information consists of other information included in the Company's annual report for the year ended 31 December 2017, other than the financial statements and the auditors' report thereon. We obtained the report of Board of Directors, prior to the date of our Auditors' report and we expect to obtain the remaining section of the 2017 Annual Report after the date of this auditor's report. The Company's management is responsible for the other information mentioned in its annual report .

Our opinion on the financial statements does not cover other information and we do not and will not express any form of assurance conclusion thereon. In our audit of the financial statements, it is our responsibility to read the information described above. In doing so, we consider whether the other information is not materially consistent with the financial statements or knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation for the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The accompanying financial statements of **Najran Cement Company** (A Saudi joint stock company) (the "Company") taken as a whole, comply with the requirements of the Regulations for Companies and Company's By-Laws with respect to the preparation and presentation of financial statements.

For Al-Kharashi Co.

Suliman A. Al-kharashi
License No. (91)

الخراشي وشركاه
محاسبون ومراجعون قانونيون
Lic: 536
Certified Accountants & Auditors
Al-Kharashi Co.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017
(Expressed in '000' Saudi Riyals)

	NOTES	December 31, 2017	December 31, 2016 (Restated)	January 01, 2016 (Restated)
ASSETS				
NON- CURRENT ASSETS				
Property, plant and equipment	6	2,222,185	2,318,367	2,426,716
Intangible assets	7	3,035	3,381	3,718
		2,225,220	2,321,748	2,430,434
CURRENT ASSETS:				
Store, spare parts and loose tools	8	121,135	116,937	121,461
Stock in trade	9	306,377	306,800	240,441
Trade receivables	10	49,598	54,746	94,966
Prepayments and other receivables	11	15,773	18,707	21,890
Cash and cash equivalents	12	12,630	48,812	162,061
		505,513	546,002	640,819
TOTAL ASSETS		**2,730,733**	**2,867,750**	**3,071,253**
EQUITY AND LIABILITIES:				
EQUITY:				
Share capital	1	1,700,000	1,700,000	1,700,000
Statutory reserve	13	103,059	103,059	90,588
Retained earnings		225,824	253,770	331,164
TOTAL EQUITY		2,028,883	2,056,829	2,121,752
LIABILITIES:				
NON-CURRENT LIABILITIES:				
Long term financing	15	500,000	600,000	700,000
Provision for employees' terminal benefits	14	25,366	21,109	16,837
		525,366	621,109	716,837
CURRENT LIABILTIES:				
Provision for zakat	16	24,343	24,993	22,154
Current portion of long term financing	15	100,718	100,000	100,000
Advances from customers		5,260	6,852	11,520
Trade payables		28,092	29,760	51,699
Accrued and other payables	17	18,071	28,207	47,291
		176,484	189,812	232,664
TOTAL LIABILITIES		701,850	810,921	949,501
TOTAL EQUITY AND LIABILITIES		**2,730,733**	**2,867,750**	**3,071,253**

The accompanying notes from 1 to 32 form an integral part of these Financial Statements.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(Expressed in '000' Saudi Riyals)

	NOTES	December 31, 2017	December 31, 2016 (Restated)
Turover - Gross	18	431,212	710,461
Less: rebates and discounts		(84,968)	(79,264)
Turnover - Net		346,244	631,197
Cost of revenue	19	(299,332)	(425,808)
Gross profit		46,912	205,389
Selling and distribution expense	20	(7,037)	(11,892)
General and administrative expense	21	(31,980)	(33,389)
Operating profit for the year		7,895	160,108
Finance cost	22	(23,605)	(28,391)
Other income		5,150	7,525
Net (loss) / profit for the year before zakat		(10,560)	139,242
Zakat expense		(11,300)	(13,500)
Net (Loss) / profit for the year after zakat		**(21,860)**	**125,742**
Other Comprehensive Income			
Items that will not be reclassifed to profit or loss			
Re-measurements of employee benefit liability	14	(1,211)	-
Other Comprehensive Income		**(1,211)**	-
Total Comprehensive (Loss)/ Income For The Year		**(23,071)**	**125,742**
Basic earnings per share (SAR)			
Net (loss) / income for the year		**(0.13)**	**0.74**
Total comprehensive (loss) / income for the year		**(0.14)**	**0.74**
Weighted average number of ordinary shares (No: '000')		**170,000**	**170,000**

The accompanying notes from 1 to 32 form an integral part of these Interim Financial Statements.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017
(Expressed in '000' Saudi Riyals)

	Capital	Statutory Reserve	Retained Earnings	Total
As at January 01, 2016	1,700,000	90,588	331,164	2,121,752
Net profit for the year	-	-	124,710	124,710
Re-measurement of employee benefit liability	-	-	(1,800)	(1,800)
Transfer to statutory reserve	-	12,471	(12,471)	-
Dividends	-	-	(187,000)	(187,000)
Directors' remuneration	-	-	(2,000)	(2,000)
IFRS convergence adjustment - Sukuk costs	-	-	1,032	1,032
IFRS convergence adjustment - Acturial valuation			135	135
Balance as at December 31, 2016	**1,700,000**	**103,059**	**253,770**	**2,056,829**
Software licenses - Prior period adjustment	-	-	(1,875)	(1,875)
Net (loss) for the year	-	-	(21,860)	(21,860)
Other comprehensive income for the year	-	-	(1,211)	(1,211)
Directors' remuneration	-	-	(3,000)	(3,000)
Balance as at December 31, 2017	**1,700,000**	**103,059**	**225,824**	**2,028,883**

The accompanying notes from 1 to 32 form an integral part of these Interim Financial Statements.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Expressed in Saudi Riyals)

	Note	December 31, 2017	December 31, 2016
Cash flows from operating activities:			
(Loss) / profit before zakat		(10,560)	139,242
Adjustments to reconcile net profit for the year to net cash generated from operational activities:			
Depreciation	6	110,504	117,040
Depreciation adjustment for spare parts held for capital use		(640)	-
Amortization		516	559
(Gain) on sale of property, plant and equipment		(348)	-
Provision for slow moving consumable spares	8	-	2,000
Provision against refundable customs duties		-	2,726
Provision for bad debts written back		(1,210)	-
Finance cost		23,605	29,423
Provision for employees' terminal benefits		4,495	4,184
Prior year settlement on Zakat provision		-	(4,995)
Operating cash flow before working capital changes		**126,362**	**290,179**
Changes in operating assets and liabilities:			
Trade receivables		4,263	39,755
Store, spare parts and loose tools		(4,198)	4,524
Stock in trade		423	(68,358)
Prepayments and other receivables		2,933	457
Trade payables		(2,627)	(21,939)
Accrued and other payables		(10,284)	(20,737)
Cash generated from operations:		**116,872**	**223,881**
Zakat paid		(11,950)	(5,666)
Finance charges paid		(23,842)	(32,102)
End of service benefits paid		(1,449)	(1,577)
Net cash generated from operating activities		**79,631**	**184,536**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(14,928)	(8,256)
Purchase of intangible assets		(170)	(222)
Movements in spare parts held for capital use (strategic)		454	411
Payment to contractors (Capital work in progress)		(1,873)	(1,082)
Proceeds from sale of property, plant and equipment		3,013	235
Net cash (used in) investing activities		**(13,504)**	**(8,914)**
Cash flows from financing activities:			
Repayment of long term debts		(100,000)	(100,000)
Dividends paid		(309)	(186,871)
Board of directors' remuneration paid		(2,000)	(2,000)
Net cash (used in) financing activities		**(102,309)**	**(288,871)**
Decrease in cash and cash equivalents		(36,182)	(113,249)
Cash and cash equivalents at the beginning of the year		48,812	162,061
Cash and cash equivalents at the end of the year		**12,630**	**48,812**

The accompanying notes from 1 to 32 form an integral part of these Interim 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 Financial Statements have been prepared in accordance with the approved accounting standards as applicable in Kingdom of Saudi Arabia. Approved accounting standards comprise of such International Financial reporting standards (IFRS) issued by the International Accounting Standards Board as are notified by SOCPA. These are the Company's first International Financial Reporting Standard (IFRS Standard) Financial Statements for the period covered by the first IFRS annual Financial Statements and IFRS 1 First-time Adoption of International Financial Reporting Standards, as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company for the comparative periods presented is provided in note number (5). This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under previously issued accounting standards by SOCPA in Kingdom of Saudi Arabia to the amounts reported for those periods and at the date of transition to IFRS (i.e. 01 January 2016).

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. These financial statements are presented in Saudi Riyals, which is the Company's presentation as well as functional currency. All amounts have been rounded to the nearest thousand (SAR '000), unless otherwise indicated.

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 Standards, interpretations and amendments to published/approved accounting standards

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting years beginning on or after 1 January 2018 with earlier application permitted. However, the Company has not early adopted the following new or amended standards in preparation of these financial statements.

- **IFRS 9** –'Financial instruments' is effective for periods commencing on or after 1 January 2018 is a replacement for IAS 39 'Financial Instruments: Recognition and Measurement' and covers three distinct areas. Phase 1 contains new requirements for the classification and measurement of financial assets and liabilities. Phase 2 relates to the impairment of financial assets and requires the calculation of impairment on an expected credit loss basis rather than the current incurred loss basis. Phase 3 relates to less stringent requirements for general hedge accounting.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Standards, interpretations and amendments to published/approved accounting standards (continued)

- **IFRS 15** -'Revenue from Contracts with Customers' is effective for periods commencing 1 January 2018. IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. IFRS 15 may have an impact on recognition and related disclosures.

- **IFRS 16** –'Leases' (effective for annual years beginning on or after 1 January 2019). IFRS 16 introduces a single, on-balance lease 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. 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.

  Determining whether an arrangement contains a lease

  On transition to IFRS 16, the Company can choose whether to:
  - Apply the IFRS 16 definition of a lease to all its contracts; or
  - Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

  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.

4.4 Going concern

Analysis such as funding adequacy, sales and cash flow forecasting are conducted to identify condition or events that give rise to uncertainties either in isolation or in aggregate which could impact the overall business objectives. An action plan is established based on respective events and conditions in order to mitigate occurrence of such events or their likely impact. Accordingly, In assessing the effective implementation of action plans, the feasibility of such plans are evaluated before advancing on towards on-going monitoring phase for such action plans. During the current year the company has adequate financial resources to continue towards achieving high growth prospect in the near future.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4.5 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.

4.6 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Fair Value Measurement (Continued)

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.

4.7 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.

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%

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Property, plant and equipment (Continued)

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.

Impairment of property, plant and equipment

At each Financial Statements 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 statement of profit or loss. 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 years. A reversal of an impairment loss is recognized as income immediately in the statement of profit or loss and other comprehensive income.

4.8 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 softwares and licenses. Computer software licenses are capitalized based on the cost incurred to acquire and bring into use the specific software. Amortisation is charged to the statement of profit or loss on a straight line 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 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.

The Company regularly reviews the net realizable value of inventories to asses any diminution in the carrying values. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4.10 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.

4.11 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.

4.12 Offsetting

A financial asset and financial liability is off-set and the net amount is reported in the balance sheet when a legal enforceable right to set-off the transactions is available and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.13 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 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.

4.15 Provisions and other liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

4.16 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.

4.17 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.

4.18 Contingent assets and liabilities

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Borrowing cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Otherwise, such costs are charged to the Statement of profit or loss.

For borrowing costs that are incurred on funds borrowed for general purposes and partially used for obtaining a qualifying asset; company determines a capitalization rate to capitalize such expenditures on that asset. This capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period.

4.20 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.

4.21 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.

4.22 Cost of revenue

The cost of revenue 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 labor, and amortizations of direct fixed assets, in addition to their share of indirect expenses.

4.23 Expenses

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

4.24 Earnings per share

Earnings per share are calculated by dividing the net profit (loss) for the year by the weighted average number of shares outstanding at year end.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.25 Dividends and appropriations

Dividend and appropriation to reserves are recognized in the financial statements in the period in which approved by the Company's Board of directors.

4.26 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.

4.27 Settlement date accounting

All regular way purchases and sales of financial assets are recognized and derecognized on the settlement date, i.e. the date on which the asset is delivered to the counterparty. When settlement date accounting is applied, the Company accounts for any change In fair value between the trade date and the settlement date in the same way as it accounts for the acquired asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

5. RECONCILIATION OF EQUITY AS AT 1 JANUARY 2016 (DATE OF TRANSITION TO IFRS)

	As at 1 January, 2016 (SOCPA)	Effect of transition to IFRS	Reclassification	As at 1 January, 2016 (IFRS)
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment	2,430,434	-	(3,718)	2,426,716
Intangible assets	4,579	(4,579)	3,718	3,718
TOTAL NON-CURRENT ASSETS	2,435,013	(4,579)	-	2,430,434
CURRENT ASSETS:				
Store, spare parts and loose tools	121,461	-	-	121,461
Stock in trade	240,441	-	-	240,441
Trade receivables	92,406	-	2,560	94,966
Prepayments and other receivables	21,890	-	-	21,890
Cash and bank balances	162,061	-	-	162,061
TOTAL CURRENT ASSETS	638,259	-	2,560	640,819
Total assets	3,073,272	(4,579)	2,560	3,071,253
EQUITY AND LIABILITIES				
EQUITY:				
Share capital	1,700,000	-	-	1,700,000
Statutory reserve	90,588	-	-	90,588
Retained earnings	337,772	(6,608)	-	331,164
Total equity	2,128,360	(6,608)	-	2,121,752
NON-CURRENT LIABILITIES:				
Long term financing	700,000	-	-	700,000
Provision for employees' terminal benefits	14,808	2,029	-	16,837
Total non-current liabilities	714,808	2,029	-	716,837
CURRENT LIABILITIES:				
Provision for zakat	22,154	-	-	22,154
Current portion of long term financing	100,000	-	-	100,000
Advances from customers	11,520	-	-	11,520
Trade payables	51,699	-	-	51,699
Accrued and other payables	44,731	-	2,560	47,291
Total current liabilities	230,104	-	2,560	232,664
TOTAL LIABILITIES	944,912	2,029	2,560	949,501
TOTAL EQUITY AND LIABILITIES	3,073,272	(4,579)	2,560	3,071,253

5. RECONCILIATION OF EQUITY AS AT 31 DECEMBER 2016 (CONTINUED)

	As at 31 December, 2016 (SOCPA)	Effect of transition to IFRS	Reclassification	As at 31 December, 2016 (IFRS)
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment	2,321,748	-	(3,381)	2,318,367
Intangible assets	3,547	(3,547)	3,381	3,381
TOTAL NON-CURRENT ASSETS	2,325,295	(3,547)	-	2,321,748
CURRENT ASSETS:				
Store, spare parts and loose tools	116,937	-	-	116,937
Stock in trade	306,800	-	-	306,800
Trade receivables	52,651	-	2,095	54,746
Prepayments and other receivables	18,707	-	-	18,707
Cash and bank balances	48,812	-	-	48,812
TOTAL CURRENT ASSETS	543,907	-	2,095	546,002
Total assets	2,869,202	(3,547)	2,095	2,867,750
EQUITY AND LIABILITIES				
EQUITY				
Share capital	1,700,000	-	-	1,700,000
Statutory reserve	103,059	-	-	103,059
Retained earnings	261,011	(7,241)	-	253,770
Total equity	2,064,070	(7,241)	-	2,056,829
NON-CURRENT LIABILITIES:				
Long term financing	600,000	-	-	600,000
Provision for employees' terminal benefits	17,415	3,694	-	21,109
Total non-current liabilities	617,415	3,694	-	621,109
CURRENT LIABILITIES:				
Provision for zakat	24,993	-	-	24,993
Current portion of long term financing	100,000	-	-	100,000
Advances from customers	6,852	-	-	6,852
Trade payables	29,760	-	-	29,760
Accrued and other payables	26,112	-	2,095	28,207
Total current liabilities	187,717	-	2,095	189,812
TOTAL LIABILITIES	805,132	3,694	2,095	810,921
TOTAL EQUITY AND LIABILITIES	2,869,202	(3,547)	2,095	2,867,750

5. RECONCILIATION OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	31 December, 2016 (SOCPA)	Effect of transition to IFRS	31 December, 2016 (IFRS)
Turover - Gross	710,461	-	710,461
Less: rebates and discounts	(79,264)	-	(79,264)
Revenue - Net	631,197	-	631,197
Cost of revenue	(425,808)	-	(425,808)
Gross profit	205,389	-	205,389
Selling and distribution expense	(11,892)	-	(11,892)
General and administrative expense	(33,389)	-	(33,389)
Operating profit	160,108	-	160,108
Other income	7,525	-	7,525
Net finance cost	(29,423)	1,032	(28,391)
Net profit for the year before zakat	138,210	1,032	139,242
Zakat expense	(13,500)	-	(13,500)
Net profit for the year after zakat	124,710	1,032	125,742
Other comprehensive income	-	-	-
Total comprehensive income for the year	**124,710**	**1,032**	**125,742**

(Expressed in '000' Saudi Riyals)

6. 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, 2017	2,563	1,162,563	1,839,931	22,497	13,101	4,358	40,939	1,082	3,087,034
Additions during the year	-	-	14,472	367	46	43	2,596	1,873	19,397
Disposals during the year	-	-	-	(852)	-	(10)	(2,563)	-	(3,425)
Adjustments during the year	-	-	-	-	-	-	(3,049)	-	(3,049)
At December 31, 2017	2,563	1,162,563	1,854,403	22,012	13,147	4,391	37,923	2,955	3,099,957
Accumulated Depreciation:									
At January 1, 2017	-	244,254	498,177	15,898	7,438	2,132	768	-	768,667
Charge for the year	-	36,732	71,138	1,699	593	342	-	-	110,504
Disposals during the year	-	-	-	(629)	-	(2)	(128)	-	(759)
Adjustments during the year	-	-	-	-	-	-	(640)	-	(640)
At December 31, 2017	-	280.986	569,315	16,968	8,031	2,472	-	-	877.772
Net Book Value:									
At December 31, 2017	**2,563**	**881,577**	**1,285,088**	**5,044**	**5,116**	**1,919**	**37,923**	**2,955**	**2,222,185**
At December 31, 2016	**2,563**	**918,309**	**1,341,754**	**6,599**	**5,663**	**2,226**	**40,171**	**1,082**	**2,318,367**

6.1 The allocation of depreciation expense between operating cost of revenue, selling and distribution expenses and general and administrative expenses is as follows:

	December 31'	
	2017	2016
Cost of revenue	108,691	115,253
Selling and distribution expenses	550	578
General and administrative expenses	1,263	1,209
	110,504	117,040

6.2 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.

7. INTANGIBLE ASSETS

	DECEMBER 31,	
	2017	2016
Cost:		
January 01, 2016	7,276	7,054
Additions during the year	170	222
December 31, 2017	7,446	7,276
Accumulated amortization:		
January 01, 2016	3,895	3,336
Amortization for the year	516	559
December 31, 2017	4,411	3,895
Net book value	3,035	3,381

Amortization expense is included in general and administration expenses.

8. STORES, SPARE PARTS AND LOOSE TOOLS

	DECEMBER 31,	
	2017	2016
Consumables spare parts	125,135	120,937
Less: provision for slow moving items and clinker stock handling	(4,000)	(4,000)
Net inventories	**121,135**	**116,937**

8.1 Movement in provision for slow moving spares and clinker stock is as follows:

	DECEMBER 31,	
	2017	2016
Balance at the beginning of the year	4,000	4,000
Add: provided during the year	-	-
Balance at the end of the year	**4,000**	**4,000**

Strategic spares held for future capital use amounting to SR 37,923 (2016: SR 40,171) are classified within property, plant and equipment.

9. STOCK IN TRADE

	DECEMBER 31, 2017	DECEMBER 31, 2016
Raw materials, fuel and packing materials	20,450	30,312
Goods in process	278,997	267,566
Finished goods	6,930	8,922
Total	**306,377**	**306,800**

10. TRADE RECEIVABLES

	DECEMBER 31, 2017	DECEMBER 31, 2016
Trade receivables - considered good	50,544	58,198
Less: provision against doubtful trade debts	(946)	(2,156)
Less: area incentives accrual	-	(1,296)
	49,598	**54,746**

Movement in the provision for doubtful trade debts is as follows:

	DECEMBER 31, 2017	DECEMBER 31, 2016
Balance at the beginning of the year	2,156	1,370
Add: provided during the year	-	786
	2,156	2,156
Less: Written back during the year	(1,210)	-
Balance at the end of the year	**946**	**2,156**

11. PREPAYMENTS AND OTHER RECEIVABLES

	DECEMBER 31,	
	2017	2016
Advances to suppliers	5,901	9,447
Prepaid expenses	4,136	3,965
Refundable custom duties - net	2,570	2,721
Other receivables	3,166	2,574
Total	**15,773**	**18,707**

12. CASH AND CASH EQUIVALENTS

	DECEMBER 31,	
	2017	2016
Current accounts at banks	**12,630**	**48,812**

Cash at bank includes unclaimed dividends of SR 1,041 (2016: SR 1,350)

13. STATUTORY RESERVE

In accordance with the Company's By-laws, the Company sets aside 10% of its net income for the year as statutory reserve until such reserve equals to 50% of the share capital. The new Saudi Arabian Regulations for Companies that came into effect on 25 Rajab 1437H (corresponding to 2 May 2016) requires companies to set aside 10% of its net income for the year as statutory reserve until such reserve reaches to 30% of the share capital. This reserve is currently not available for distribution to shareholder of the Company.

14. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS

The movement in provision for end-of-service benefits for the year ended 31 December is as follows:

	Note	DECEMBER 31,	
		2017	2016
Balance at beginning of the year		21,109	16,837
Current service cost		3,699	3,303
Interest cost		796	746
Amount recognised in profit or loss account		4,495	4,049
Re-measurement loss recognized in other comprehensive Income	14.1	1,211	1,800
Benefits paid during the year		(1,449)	(1,577)
Balance at the end of the year		**25,366**	**21,109**

14. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS (CONTINUED)

14.1 Re-measurements gains recognized in other comprehensive income for the year ended 31 December 2017 are as follow:

	DECEMBER 31,	
	2017	2016
Impact of changes in financial assumptions	1,005	1,264
Impact of experience adjustments	206	536
	1,211	**1,800**

14.2 Principal actuarial assumptions

Below are the principle actuarial assumptions:

Key actuarial assumptions	DECEMBER 31,	
	2017	2016
Discount rate used	3.20%	3.55%
Future growth in salary	3.00%	3.00%
Turnover	Moderate	Moderate
Demographic assumptions		
Retirement Age	60	60

14.3 Sensitivity analysis:

Reasonably possible changes as to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	DECEMBER 31,2017		DECEMBER 31,2016	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	23,950	26,922	19,954	22,378
Future salary growth (0.5% movement)	26,983	23,882	22,432	19,894

14.4 Risks associated with defined benefit plans

Longevity risks:
The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk:
The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual salary increases are higher than expectation and impacts the liability accordingly.

15. LONG TERM FINANCING

	Banque Saudi Fransi		SUKUK	Total
	Note 15.1	Note 15.1	Note 15.2	
Principal amount as of January 01, 2017	150,000	150,000	400,000	700,000
Unamortized transaction cost as of January 01, 2017	-	-	-	-
	150,000	150,000	400,000	700,000
Accrued mark up	-	-	718	718
Amortization of transaction costs	-	-	-	-
	150,000	150,000	400,718	700,718
Less: Repayments/ redemptions during the year	(100,000)	-	-	(100,000)
Net principal amount	50,000	150,000	400,718	600,718
Less: Transferred to current liabilities	(50,000)	(50,000)	(718)	(100,718)
Balance as of December 31, 2017 (long term portion)	-	100,000	400,000	500,000

15.1 Commercial Banks Facilities (Tawarroq):

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

The specific facility against the third production line for SR 500,000 has a profit rate of SIBOR plus 1.75% to be serviced on a quarterly basis, repayable in twenty quarterly instalments which will end on June 30, 2018. The amount outstanding as at December 31, 2017 is SR 50,000 (2016: SR 150,000)

The specific facility to finance the waste heat recovery project for SR 150,000 at a profit rate of SIBOR plus 1.75% to be repaid on equal quarterly basis instalments amounts to SR 25,000 starting on September 30, 2018 and ending on 2019.

The Company has other facilities for a total amount of SR 150,000 that are available but not utilized by the Company.

The facilities are secured by, inter alia, four order notes amounting to SR 330,550 and assignment of the insurance policy for the third production line.

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

15.2 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.

16. PROVISION FOR ZAKAT

	DECEMBER 31,	
	2017	2016
Opening balance	24,993	22,154
Provision booked during the year	11,300	13,500
Adjustment in respect of prior years	-	(4,995)
Zakat paid during the year	(11,950)	(5,666)
	24,343	**24,993**

16.1 Status of zakat return and assessment

Zakat assessments have been finalized with General Authority for Zakat and Tax (GAZT) for all the years up to 31 December 2011. The company has also submitted its zakat returns and paid the zakat dues for the years from 2012 to 2015 to GAZT and has got the restricted certificates for these years while the assessments have not been finalized for these years. The company has also submitted its zakat return for the year ended 31 December 2016 and got the final certificate.

17. ACCRUED AND OTHER PAYABLES

	DECEMBER 31,	
	2017	2016
Raw material royalties payable	10,269	16,518
Other payables	6,241	3,477
Accrued expenses	520	3,477
Dividends payable (Note 23)	1,041	1,350
Due to contractors	-	3,385
	18,071	**28,207**

18. TURNOVER - GROSS

	DECEMBER 31,	
	2017	2016
Gross turnover:		
- Local	431,136	710,461
- Export	76	-
	431,212	**710,461**

Nine customers, whose sales represents 40% of total revenue, accounted for a combined total of SR 177,939 (2016: Three customers accounted for SR 286,997). These customers had receivables balances as at December 31, 2017 totalling SR 35,560 (2016: SR 39,310)

19. COST OF REVENUE

	Note	DECEMBER 31,	
		2017	2016
Raw and packing material consumed		15,818	51,053
Salaries, wages and related benefits	19.1	58,952	64,320
Royalties on raw materials		9,893	15,295
Blasting costs		4,805	7,540
Material handling and transport		7,891	26,165
Fuel and power		50,444	89,609
Repairs and maintenance		26,755	45,254
Operation and management expenses		12,425	48,787
Insurance		5,107	8,589
Depreciation	6.1	108,691	115,253
Professional fees		1,221	1,632
Ground lease rents		688	589
Other expenses		6,081	6,994
Provisions against slow moving and others	8.1	-	12,985
		308,771	494,065
Changes in opening work in progres and finished goods		276,488	208,231
Changes in closing work in progres and finished goods		(285,927)	(276,488)
Cost of revenue		299,332	425,808

19.1 Salaries, wages and benefits include staff retirement benefits amounting to SR 2,936 (2016: SR 2,845).

19.2 The cost of revenues includes indirect cost which relates to the non-operating part of the Company's production line(s) during the year due to the non-availability of fuel amounting to SR 69,676 (2016: SR 52,177). Earlier the company was taking into account certain provisions against slow moving spares and clinker stocks handling losses which the company believes that have been sufficiently provided or taken care of.

20. SELLING AND DISTRIBUTION EXPENSES

	Note	DECEMBER 31, 2017	2016
Salaries, wages and related benefits	20.1	4,928	5,826
Depreciation	6.1	550	578
Cement transportation		996	3,806
Travel expenses		126	294
Bad debts		-	883
Export expenses		54	-
Others		383	505
		7,037	**11,892**

20.1 Salaries, wages and benefits include staff retirement benefits amounting to SR 308 (2016: SR 207).

21. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	DECEMBER 31, 2017	2016
Salaries, wages and related benefits	21.1	19,431	20,082
Depreciation and amortization	6.1&7	1,779	1,768
Travel expenses		1,272	784
Donations		600	612
Legal and professional services		1,706	2,443
Regulatory fees		681	463
Information technology		1,118	195
Bank charges		135	753
Maintenance expenses		2,204	2,118
Others		3,054	4,171
		31,980	**33,389**

21.1 Salaries, wages and benefits include staff retirement benefits amounting to SR 1,228 (2016: SR 1,132).

22. FINANCE COST

	DECEMBER 31, 2017	DECEMBER 31, 2016
Mark up on loans	9,726	13,506
Mark up on Sukuk	13,276	14,867
Bank charges and commissions	603	18
	23,605	**28,391**

23. DIVIDENDS

The shareholders of the company, in their general assembly held on March 29, 2016 (corresponding to Jumaada al Thany 20, 1437), approved a final dividend of SR 85,000 (50 Halala per share) that was paid on April 21, 2016.

The board of directors of the company recommended on May 11, 2016 (corresponding to Shabaan 24, 1437) an interim dividend for the half year amounting to SR 102,000 (60 Halala pere share).

24. CONTINGENT LIABILITES

As of December 31, 2017, the Company had commitments in the form of letters of credit and bills for collection amounting to SR 1,636 (2016: SR 430) and performance bonds amounting to SR nil (2016: SR 2,304).

25. RELATED PARTY TRANSACTIONS AND BALANCES

Remuneration of chief executive, directors and key executives is as follows:

	DECEMBER 31, 2017	DECEMBER 31, 2016
Salaries	3,675	3,766
Allowances	1,078	1,519
Annual and periodic remuneration	3,133	2,638
End of service benefits	285	275
Total	**8,171**	**8,198**

26. 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.

27. 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.

27. 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.

Age of trade receivables that are past due but not impaired as of December 31, 2017 is as follows:

	DECEMBER 31,	
	2017	2016
1-90 days	28,623	37,661
91-180 days	6,296	17,231
181-360 days	4,510	1,150
Over 360 days	11,115	2,156
Total	**50,544**	**58,198**

Age of impaired trade receivables as of December 31, 2017 is as follows:

	DECEMBER 31,	
	2017	2016
More than 360 days	946	2,156
Total	**946**	**2,156**

27. FINANCIAL RISK MANAGEMENT AND OBJECTIVES AND POLICIES (CONTINUED)

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. 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 financial liabilities based on contractual payments:

	On Demand	Less than 3 months	3-12 months	1-5 years	Total
December 31, 2016'	-	-	100,000	600,000	700,000
December 31, 2017'	-	-	100,718	500,000	600,718

28. IMPACT OF FIRST TIME ADOPTION ON RETAINED EARNINGS

	December 31,2016 (Un-Audited)
Retained earnings as per SOCPA as on December 31, 2016	261,011
Impact of adjusting entries from Opening Balance Sheet - IFRS adjustments	
Actuarial Valuation	(3,694)
De-recognition of Intangible asset	(4,579)
Reversal of amortization	1,032
Retained Earnings as per IFRS as on December 31, 2016	**253,770**

The company had certain intangibles previously capitalized under SOCPA financial statements. Under IAS-38 Intangible Assets, any expense that does not qualify for the criteria defined in the standard as intangible asset is not capitalized rather it is charged to Profit or loss. Expenses recognized as amortization of intangible assets in SOCPA has been reversed in profit or loss account prepared in accordance with IFRS.

Further, 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 as per IAS-19. Closing liabilities were readjusted to account for actuarial adjustments due to change in experience and financial assumptions.

29. PLANT CAPACITY AND PRODUCTION - Clinker

		Available capacity		Actual production	
		2017	2016	2017	2016
		(Metric tonnes)		(Metric tonnes)	
Line 1	Based on 330 days	1,980	1,980	-	295
Line 2	Based on 330 days	990	990	-	916
Line 3	Based on 330 days	2,145	2,145	1,661	2,143
		5,115	5,115	1,661	3,354

30. SUBSEQUENT EVENTS

The company has obtained restructuring for two of its financing facilities whereby the period for loan repayment has been extended to June 30, 2021 with revised markup rates. The company has also disclosed the same rescheduling with Tadawul on Feb. 13,2018.

31. COMPARATIVE FIGURES

Certain comparative figures have been reclassified/ rearranged in order to conform to the presentation for the current year.

32. BOARD OF DIRECTORS APPROVAL

These financial statements were approved by the Board of Directors of the Company on February 22, 2018.