

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
THE INTERIM CONDENSED FINANCIAL
STATEMENTS (UNAUDITED) AND INDEPENDENT
AUDITOR'S LIMITED REVIEW REPORT FOR THE
THREE MONTHS PERIOD ENDED
MARCH 31, 2019

**NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2019**

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AlKharashi & Co.

Certified Accountants And Auditors

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

MAY 05, 2019

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 March 31, 2019 and the related interim condensed statements of profit or loss and the other comprehensive income for the three-months period then ended, and the related interim condensed statements of changes of shareholders' equity and cash flows for the three-months period then ended, and a summary of significant accounting policies and other explanatory notes from (1) to (20). 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.

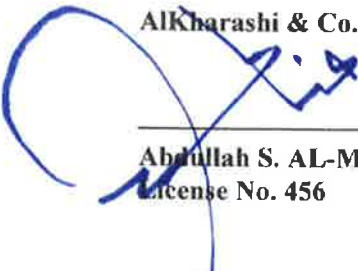
Scope of Review:

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.

AlKharashi & Co.


Abdullah S. AL-MSned
License No. 456

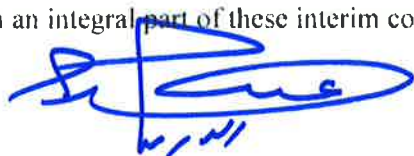


NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019
(Expressed in '000 Saudi Riyals)

| | Notes | March 31, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|-------|----------------------------------|-----------------------------------|
| <u>ASSETS</u> | | | |
| <u>NON- CURRENT ASSETS</u> | | | |
| Property, plant and equipment | 5 | 2,118,899 | 2,134,071 |
| Intangible assets | 6 | 4,113 | 4,080 |
| Total non current assets | | 2,123,012 | 2,138,151 |
| <u>CURRENT ASSETS:</u> | | | |
| Store, spare parts and loose tools | 7 | 114,596 | 115,717 |
| Stock in trade | 8 | 239,698 | 267,144 |
| Trade receivables | | 32,739 | 30,580 |
| Advances, prepayments and other receivables | 9 | 18,392 | 13,863 |
| Cash and cash equivalents | 10 | 41,226 | 12,024 |
| Total current assets | | 446,651 | 439,328 |
| TOTAL ASSETS | | 2,569,663 | 2,577,479 |
| <u>EQUITY AND LIABILITIES:</u> | | | |
| <u>EQUITY:</u> | | | |
| Share capital | 1 | 1,700,000 | 1,700,000 |
| Statutory reserve | | 103,059 | 103,059 |
| Retained earnings | | 136,625 | 130,569 |
| TOTAL EQUITY | | 1,939,684 | 1,933,628 |
| <u>LIABILITIES:</u> | | | |
| <u>NON-CURRENT LIABILITIES:</u> | | | |
| Provision for employees' terminal benefits | 11 | 25,844 | 25,629 |
| Long term financing | 12 | 475,000 | 490,000 |
| Total non current liabilities | | 500,844 | 515,629 |
| <u>CURRENT LIABILITIES:</u> | | | |
| Provision for zakat | 13 | 22,736 | 20,486 |
| Current portion of long term financing | 12 | 61,179 | 61,170 |
| Advances from customers | | 3,692 | 4,275 |
| Trade payables | | 20,586 | 25,727 |
| Accrued and other payables | 14 | 20,942 | 16,564 |
| Total current liabilities | | 129,135 | 128,222 |
| TOTAL LIABILITIES | | 629,979 | 643,851 |
| TOTAL EQUITY AND LIABILITIES | | 2,569,663 | 2,577,479 |

The accompanying notes form an integral part of these interim condensed financial statements.





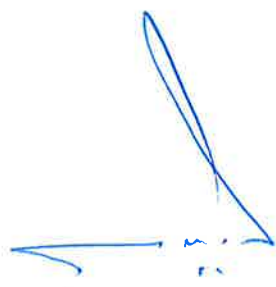


**NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019**

(Expressed in '000 Saudi Riyals)

| | Notes | For the three months period | |
|---|-------|----------------------------------|----------------------------------|
| | | March 31, 2019 (Unaudited) | March 31, 2018 (Unaudited) |
| Turnover - net | 15 | 106,500 | 97,026 |
| Cost of sales | 16 | (83,886) | (87,324) |
| Gross profit | | <u>22,614</u> | <u>9,702</u> |
| Selling and distribution expense | | (1,662) | (1,590) |
| General and administrative expense | | (6,913) | (8,793) |
| Operating profit/ (loss) for the period | | <u>14,039</u> | <u>(681)</u> |
| Finance cost | | (7,040) | (6,371) |
| Other income / (expenses) | | <u>1,307</u> | <u>(125)</u> |
| Net profit / (loss) for the period before zakat | | <u>8,306</u> | <u>(7,177)</u> |
| Zakat expense | | (2,250) | (3,000) |
| Net profit / (loss) for the period after zakat | | <u>6,056</u> | <u>(10,177)</u> |
| Other Comprehensive Income | | | |
| Items that will not be reclassified to profit or loss | | - | - |
| Other Comprehensive Income | | - | - |
| Total Comprehensive Income / (Loss) For The Period | | <u>6,056</u> | <u>(10,177)</u> |
| Basic earnings / (loss) per share (SAR) | | | |
| Net income / (loss) for the period | | <u>0.04</u> | <u>(0.06)</u> |
| Total comprehensive income / (loss) for the period | | <u>0.04</u> | <u>(0.06)</u> |
| Weighted average number of ordinary shares (No: '000') | | <u>170,000</u> | <u>170,000</u> |





The accompanying notes 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 THREE MONTHS PERIOD ENDED 31 MARCH 2019
(Expressed in '000 Saudi Riyals)

| | <u>Capital</u> | <u>Statutory Reserve</u> | <u>Retained Earnings</u> | <u>Total</u> |
|--|------------------|--------------------------|--------------------------|------------------|
| As at January 01, 2018 (Audited) | 1,700,000 | 103,059 | 225,824 | 2,028,883 |
| Adjustment for IFRS 9 adoption | - | - | (10,698) | (10,698) |
| Net (loss) for the period | - | - | (10,177) | (10,177) |
| Balance as at March 31, 2018 (Unaudited) | <u>1,700,000</u> | <u>103,059</u> | <u>204,949</u> | <u>2,008,008</u> |
| Balance as at January 01, 2019 (Audited) | 1,700,000 | 103,059 | 130,569 | 1,933,628 |
| Net profit for the period | - | - | 6,056 | 6,056 |
| Balance as at March 31, 2019 (Unaudited) | <u>1,700,000</u> | <u>103,059</u> | <u>136,625</u> | <u>1,939,684</u> |



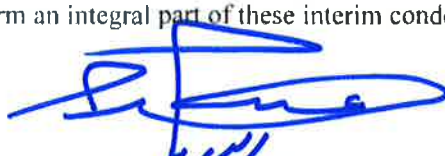


The accompanying notes form an integral part of these interim condensed financial statements.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019
(Expressed in '000 Saudi Riyals)

| | Notes | For the three months period ended March 31. | |
|---|-------|--|----------|
| | | 2019 | 2018 |
| Cash flows from operating activities: | | | |
| Profit / (Loss) before zakat expense | | 8,306 | (7,177) |
| Adjustments to reconcile net profit / (loss) for the year to net cash generated from operational activities: | | | |
| Depreciation | 5 | 18,795 | 25,855 |
| Amortization | 6 | 12 | 114 |
| (Gain) /loss on sale of property, plant and equipment | | (5) | 267 |
| Provision for bad debts written back | | (419) | - |
| Provision for potential claims | | - | 1,404 |
| Provision for bad debts | | 22 | 29 |
| Finance cost | | 7,040 | 6,371 |
| Provision for employees' terminal benefits | 11 | 907 | 1,011 |
| Operating cash flow before working capital changes | | 34,658 | 27,874 |
| Changes in operating assets and liabilities: | | | |
| Trade receivables | | (2,218) | (2,537) |
| Store, spare parts and loose tools | | 1,121 | (926) |
| Stock in trade | | 27,446 | 13,360 |
| Prepayments and other receivables | | (4,530) | (7,028) |
| Advances from customers | | (583) | (226) |
| Trade payables | | (5,142) | (3,782) |
| Accrued and other payables | | 4,836 | (3,485) |
| Cash generated from operations: | | 55,588 | 23,250 |
| Finance charges paid | | (7,031) | (5,865) |
| End of service benefits paid | 11 | (692) | (128) |
| Net cash generated from operating activities | | 47,865 | 17,257 |
| Cash flows from investing activities: | | | |
| Purchase of property, plant and equipment | | (3,638) | (1,255) |
| Purchase of intangible assets | | (45) | - |
| Movements in spare parts held for capital use (strategic) | | - | (453) |
| Addition to capital work in progress - net | | - | (1,812) |
| Proceeds from sale of property, plant and equipment | | 20 | 48 |
| Net cash (used in) investing activities | | (3,663) | (3,472) |
| Cash flows from financing activities: | | | |
| Repayment of long term debts | | (15,000) | (12,500) |
| Dividends paid | | - | (1) |
| Net cash (used in) financing activities | | (15,000) | (12,501) |
| Increase in cash and cash equivalents | | 29,202 | 1,284 |
| Cash and cash equivalents at the beginning of the period | | 12,024 | 12,630 |
| Cash and cash equivalents at the end of the period | 10 | 41,226 | 13,914 |

The accompanying notes form an integral part of these interim condensed financial statements.


**NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2019
(Expressed in '000 Saudi Riyals)**

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, 2018. Comparative condensed interim statement of financial position is extracted from annual financial statements as at December 31, 2018 whereas comparative condensed interim statement of profit or loss account and 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 March 31, 2018.

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.

**NAJHRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2019
(Expressed in '000 Saudi Riyals)**

4. SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2018. However, some of the main accounting policies are highlighted below.

4.1 Basis of preparation

These condensed interim 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 interim 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 effective:

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting years beginning on or after 1 January 2019.

**NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2019
(Expressed in '000 Saudi Riyals)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

4.3 New standards, amendments and standards issued and effective (continued):

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.

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.

Impact

The Company’s property, plant and equipment, 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 the purpose of right of use of mineral resources for an indefinite period while the lease is for the period of 30 and 25 years respectively and is renewable at the option of the Company. Therefore, IFRS – 16 implications are not applicable to the entity for disclosure of right of use of assets

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.

**NAJHRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2019
(Expressed in '000 Saudi Riyals)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

4.3 New standards, amendments and standards issued and effective (continued):

- 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)

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019
(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 December 31, 2018 (audited) | 2,563 | 1,163,204 | 1,858,605 | 21,840 | 13,131 | 4,316 | 38,376 | 1,628 | 3,103,663 |
| Additions during the period | - | - | 738 | 2,900 | - | - | - | - | 3,638 |
| Disposals during the period | - | - | - | (177) | - | - | - | - | (177) |
| Transfers during the period | - | - | 1,893 | - | - | - | (1,893) | - | - |
| At March 31, 2019 (unaudited) | <u>2,563</u> | <u>1,163,204</u> | <u>1,861,236</u> | <u>24,563</u> | <u>13,131</u> | <u>4,316</u> | <u>36,483</u> | <u>1,628</u> | <u>3,107,124</u> |
| Accumulated Depreciation: | | | | | | | | | |
| At December 31, 2018 (audited) | - | 309,644 | 631,127 | 17,734 | 8,477 | 2,610 | - | - | 969,592 |
| Charge for the period | - | 5,262 | 13,072 | 278 | 120 | 63 | - | - | 18,795 |
| Disposals during the period | - | - | - | (162) | - | - | - | - | (162) |
| At March 31, 2019 (unaudited) | <u>-</u> | <u>314,906</u> | <u>644,199</u> | <u>17,850</u> | <u>8,597</u> | <u>2,673</u> | <u>-</u> | <u>-</u> | <u>988,225</u> |
| Net Book Value: | | | | | | | | | |
| At March 31, 2019 (unaudited) | <u>2,563</u> | <u>848,298</u> | <u>1,217,037</u> | <u>6,713</u> | <u>4,534</u> | <u>1,643</u> | <u>36,483</u> | <u>1,628</u> | <u>2,118,899</u> |
| At December 31, 2018 (audited) | <u>2,563</u> | <u>853,560</u> | <u>1,227,478</u> | <u>4,106</u> | <u>4,654</u> | <u>1,706</u> | <u>38,376</u> | <u>1,628</u> | <u>2,134,071</u> |

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

(Expressed in '000 Saudi Riyals)

6. INTANGIBLE ASSETS:

| | <u>March 31,</u> 2019 | <u>December 31,</u> 2018 |
|---|--------------------------|-----------------------------|
| Cost: | | |
| Balance at the beginning of the period / year | 8,676 | 7,446 |
| Additions during the period / year | 45 | 1,230 |
| Balance at the end of the period / year | <u>8,721</u> | <u>8,676</u> |
| Accumulated amortization: | | |
| Balance at the beginning of the period / year | 4,596 | 4,411 |
| Amortization for the period / year | 12 | 185 |
| At the end of the period / year | <u>4,608</u> | <u>4,596</u> |
| Net book value | <u>4,113</u> | <u>4,080</u> |

Amortization expense is included in general and administration expenses.

7. STORES, SPARE PARTS AND LOOSE TOOLS:

| | <u>March 31,</u> 2019 | <u>December 31,</u> 2018 |
|--|--------------------------|-----------------------------|
| Consumables spare parts | 118,596 | 119,717 |
| Less: Provision for slow moving items | <u>(4,000)</u> | <u>(4,000)</u> |
| Net balance | <u>114,596</u> | <u>115,717</u> |

7.1 Strategic spares held for future capital use amounting to SR 36,483 (2018: SR 38,376) are classified within property, plant and equipment.

8. STOCK IN TRADE:

| | <u>March 31,</u> 2019 | <u>December 31,</u> 2018 |
|---|--------------------------|-----------------------------|
| Raw materials, fuel and packing materials | 20,093 | 23,137 |
| Goods in process | 211,776 | 235,724 |
| Finished goods | 7,829 | 8,283 |
| Total | <u>239,698</u> | <u>267,144</u> |

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019
(Expressed in '000 Saudi Riyals)

9. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES:

| | <u>March 31,</u> 2019 | <u>December 31,</u> 2018 |
|--------------------------------|--------------------------|-----------------------------|
| Advances to suppliers | 3,868 | 3,781 |
| Prepaid expenses | 10,459 | 5,672 |
| Refundable custom duties - net | 1,738 | 2,014 |
| Other receivables | 2,327 | 2,396 |
| Total | <u>18,392</u> | <u>13,863</u> |

10. CASH AND CASH EQUIVALENTS

| | <u>March 31,</u> 2019 | <u>December 31,</u> 2018 |
|---------------------------|--------------------------|-----------------------------|
| Cash in hand | 622 | 552 |
| Current accounts at banks | 40,604 | 11,472 |
| Total | <u>41,226</u> | <u>12,024</u> |

Cash at bank includes unclaimed dividends of SR 1,008 (2018: SR 1,008).

11. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS:

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

| | <u>March 31,</u> 2019 | <u>December 31,</u> 2018 |
|--|--------------------------|-----------------------------|
| Balance at beginning of the period / year | 25,629 | 25,366 |
| Current service cost | 907 | 3,907 |
| Interest cost | - | 843 |
| Amount recognised in profit or loss account | 907 | 4,750 |
| Re-measurement (gain) recognized in other comprehensive income | - | (1,893) |
| Benefits (paid) during the period / year | (692) | (2,594) |
| Balance at the end of the period / year | <u>25,844</u> | <u>25,629</u> |

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019
(Expressed in '000 Saudi Riyals)

12. LONG TERM FINANCING:

| | <u>Banque Saudi Fransi</u> Note 12.1 | <u>SUKUK</u> Note 12.2 | <u>Total</u> |
|--|---|---------------------------|----------------|
| Principal amount as of January 01, 2019 - audited | 150,000 | 400,000 | 550,000 |
| Accrued mark up | - | 1,170 | 1,170 |
| | <u>150,000</u> | <u>401,170</u> | <u>551,170</u> |
| Less: Repayments/ redemptions during the period | (15,000) | (1,170) | (16,170) |
| Net principal amount | 135,000 | 400,000 | 535,000 |
| Accrued mark up for the quarter | - | 1,179 | 1,179 |
| | <u>135,000</u> | <u>401,179</u> | <u>536,179</u> |
| Less: Transferred to current liabilities | (60,000) | (1,179) | (61,179) |
| Balance as of March 31, 2019 (long term portion) - unaudited | <u>75,000</u> | <u>400,000</u> | <u>475,000</u> |

12.1 Tawarrog:

Company credit facilities with Banque Saudi Fransi that were restructured on 22nd January, 2018 are:

Specific facility of SR 150 million against waste heat recovery project is repayable in ten quarterly instalments of SR 15 million with repayment starting from March 2019 till the end of June 2021 at a markup of 2.50% plus three months SIBOR.

In addition, a multiple purpose cash facility of SR 50,000 is also available but not utilized by the Company. These facilities are secured by, inter alia, three order notes amounting to SR 240,550. Renewal of these facilities is expected end of May 2019.

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 current profit rate of 2.15%, effective for installments falling due in 2019, plus three month SIBOR, payable quarterly.

Waiver for the breach of conditions 7(d) and 7(e) to the Sukuk agreement is obtained till 31 December 2019(G) through extra ordinary resolution of the Sukukholders in their meeting on 10 December, 2018.

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13. PROVISION FOR ZAKAT:

| | <u>March 31,</u> <u>2019</u> | <u>December 31,</u> <u>2018</u> |
|--|---------------------------------|------------------------------------|
| Balance at January 1 | 20,486 | 24,343 |
| Provision for the period / year | 2,250 | 7,407 |
| Payments made during the period / year | - | (11,264) |
| Balance at end of the period/ year | <u><u>22,736</u></u> | <u><u>20,486</u></u> |

14. ACCRUED AND OTHER PAYABLES:

| | <u>March 31,</u> <u>2019</u> | <u>December 31,</u> <u>2018</u> |
|--------------------------------|---------------------------------|------------------------------------|
| Raw material royalties payable | 11,202 | 8,343 |
| Other payables | 6,562 | 6,701 |
| Dividends payable | 1,008 | 1,008 |
| Accrued expenses | 2,170 | 512 |
| Total | <u><u>20,942</u></u> | <u><u>16,564</u></u> |

15. TURNOVER - NET:

| | <u>MARCH 31,</u> | |
|------------------|-----------------------|----------------------|
| | <u>2019</u> | <u>2018</u> |
| Gross turnover | 135,840 | 116,992 |
| Less: incentives | (29,340) | (19,966) |
| Turnover - net | <u><u>106,500</u></u> | <u><u>97,026</u></u> |

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16. COST OF SALES:

| | MARCH 31, | |
|--------------------------------------|----------------------|----------------------|
| | 2019 | 2018 |
| Raw and packing material consumed | 3,022 | 2,731 |
| Salaries, wages and related benefits | 12,942 | 15,326 |
| Royalties on raw materials | 2,859 | 2,530 |
| Blasting costs | 894 | 2,063 |
| Material handling and transport | 3,157 | 4,815 |
| Fuel and power | 8,322 | 8,667 |
| Repairs and maintenance | 4,772 | 4,229 |
| Operation and management expenses | 2,891 | 3,253 |
| Insurance | 997 | 1,117 |
| Depreciation | 18,476 | 25,445 |
| Ground lease rents | 158 | 158 |
| Other expenses | 928 | 1,196 |
| | <u>59,418</u> | <u>71,530</u> |
| Changes in inventories level | 24,468 | 15,794 |
| Cost of sales | <u>83,886</u> | <u>87,324</u> |

Cost of sales includes fixed costs that relates to the non operating part of the company's production line(s) during the period amounting to SR 16,188 (2018: SR 24,009).

17. CONTINGENT LIABILITIES:

As of March 31, 2019, the Company had commitments in the form of letters of credit and bills for collection amounting to SR Nil (2018: SR 1,244) and performance bonds amounting to SR 600 (2018: SR 850)

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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.

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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 is maintained.

Exposure to liquidity risk:

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

| | March 31, 2019 | | | December 31, 2018 | | |
|----------------------------|----------------|----------------|-------------------|-------------------|----------------|-------------------|
| | Within 1 year | 1 -5 years | More than 5 years | Within 1 year | 1 -5 years | More than 5 years |
| Long term financing | 61,179 | 475,000 | - | 61,170 | 490,000 | - |
| Trade payables | 20,586 | - | - | 25,727 | - | - |
| Accrued and other payables | 20,942 | - | - | 16,564 | - | - |
| Provision for zakat | 22,736 | - | - | 20,486 | - | - |
| Total | 125,443 | 475,000 | - | 123,947 | 490,000 | - |

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20. BOARD OF DIRECTORS APPROVAL:

These condensed interim financial statements were approved by the Board of Directors of the Company on May 05, 2019.