

**NAJRAN CEMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**THE INTERIM CONDENSED FINANCIAL**  
**STATEMENTS (UNAUDITED) AND INDEPENDENT**  
**AUDITOR'S LIMITED REVIEW REPORT FOR THE**  
**SIX MONTHS PERIOD ENDED**  
**JUNE 30, 2019**

**NAJRAN CEMENT COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019**

---

<b>INDEX</b>	<b>PAGES</b>
Independent auditor's limited review report	1
Interim condensed statement of financial position	2
Interim condensed statement of profit or loss and other comprehensive income	3
Interim condensed statement of changes in shareholders' equity	4
Interim condensed statement of cash flows	5
Notes to the interim condensed financial statements	6 – 17



**AlKharashi & Co.**  
Certified Accountants And Auditors

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

July 29, 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 June 30, 2019 and the related interim condensed statements of profit or loss and the other comprehensive income for the six months period then ended, and the related interim condensed statements of changes of shareholders' equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. 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



Riyadh Main office  
P.O. Box 8306, Riyadh 11182  
Kingdom of Saudi Arabia  
Tel: 966 11 4781009  
Fax: 966 11 4771923

Jeddah Office  
P.O. Box 13, W. Jeddah, 21411  
Tel: 966 12 6614 117  
Fax: 966 12 6681 191

Registration No.: 536  
www.alkharashi.com  
general@alkharashi.com

Correspondent of  
 MAZARS

**NAJRAN CEMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2019**  
**(Expressed in '000 Saudi Riyals)**

	Notes	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
<b><u>ASSETS</u></b>			
<b><u>NON- CURRENT ASSETS</u></b>			
Property, plant and equipment	5	2,101,872	2,134,071
Intangible assets	6	4,100	4,080
Total non current assets		<u>2,105,972</u>	<u>2,138,151</u>
<b><u>CURRENT ASSETS:</u></b>			
Store, spare parts and loose tools	7	113,727	115,717
Stock in trade	8	232,682	267,144
Trade receivables		27,665	30,580
Advances, prepayments and other receivables	9	17,829	13,863
Cash and cash equivalents	10	21,630	12,024
Total current assets		<u>413,533</u>	<u>439,328</u>
<b>TOTAL ASSETS</b>		<b><u>2,519,505</u></b>	<b><u>2,577,479</u></b>
<b><u>EQUITY AND LIABILITIES:</u></b>			
<b><u>EQUITY:</u></b>			
Share capital	1	1,700,000	1,700,000
Statutory reserve		103,059	103,059
Retained earnings		133,934	130,569
<b>TOTAL EQUITY</b>		<b><u>1,936,993</u></b>	<b><u>1,933,628</u></b>
<b><u>LIABILITIES:</u></b>			
<b><u>NON-CURRENT LIABILITIES:</u></b>			
Provision for employees' terminal benefits	11	27,187	25,629
Long term financing	12	60,000	490,000
Total non current liabilities		<u>87,187</u>	<u>515,629</u>
<b><u>CURRENT LIABILITIES:</u></b>			
Provision for zakat	13	16,844	20,486
Current portion of long term financing	12	446,106	61,170
Advances from customers		3,941	4,275
Trade payables		20,530	25,727
Accrued and other payables	14	7,904	16,564
Total current liabilities		<u>495,325</u>	<u>128,222</u>
<b>TOTAL LIABILITIES</b>		<b><u>582,512</u></b>	<b><u>643,851</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>2,519,505</u></b>	<b><u>2,577,479</u></b>

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

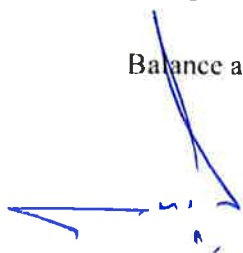
**NAJRAN CEMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019**  
**(Expressed in '000 Saudi Riyals)**

	Notes	For the three months period		For the six months period	
		June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)	June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)
Turnover - net	15	76,263	55,313	182,763	152,339
Cost of sales	16	(61,987)	(68,792)	(145,873)	(156,117)
<b>Gross profit / (loss)</b>		<b>14,276</b>	<b>(13,479)</b>	<b>36,890</b>	<b>(3,778)</b>
Selling and distribution expense		(1,802)	(1,427)	(3,464)	(3,017)
General and administrative expense		(6,865)	(8,000)	(13,778)	(16,792)
Operating profit / (loss) for the period		5,609	(22,906)	19,648	(23,587)
Finance cost		(6,827)	(7,293)	(13,867)	(13,664)
Other income / (expenses)		126	(33)	1,434	(158)
Net profit / (loss) for the period before zakat		(1,092)	(30,232)	7,215	(37,409)
Zakat expense		(1,500)	(1,500)	(3,750)	(4,500)
Net profit / (loss) for the period after zakat		<b>(2,592)</b>	<b>(31,732)</b>	<b>3,465</b>	<b>(41,909)</b>
<b>Other Comprehensive Income</b>					
Items that will not be reclassified to profit or loss		-	-	-	-
<b>Other Comprehensive Income</b>		-	-	-	-
Total Comprehensive Income / (Loss) For The Period		<b>(2,592)</b>	<b>(31,732)</b>	<b>3,465</b>	<b>(41,909)</b>
<b>Basic earnings per share (SAR)</b>					
Net Income / (Loss) for the period		<b>(0.02)</b>	<b>(0.19)</b>	<b>0.02</b>	<b>(0.25)</b>
Total comprehensive Income / (Loss) for the period		<b>(0.02)</b>	<b>(0.19)</b>	<b>0.02</b>	<b>(0.25)</b>
Weighted average number of ordinary shares (No: '000' )		<b>170,000</b>	<b>170,000</b>	<b>170,000</b>	<b>170,000</b>

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 SIX MONTHS PERIOD ENDED 30 JUNE 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	-	-	(41,909)	(41,909)
Balance as at June 30, 2018 (Unaudited)	<u>1,700,000</u>	<u>103,059</u>	<u>173,217</u>	<u>1,976,276</u>
Balance as at January 01, 2019 (Audited)	1,700,000	103,059	130,569	1,933,628
Directors' remuneration	-	-	(100)	(100)
Net (profit) for the period	-	-	3,465	3,465
Balance as at June 30, 2019 (Unaudited)	<u>1,700,000</u>	<u>103,059</u>	<u>133,934</u>	<u>1,936,993</u>



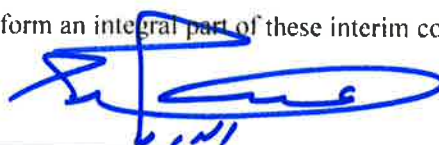
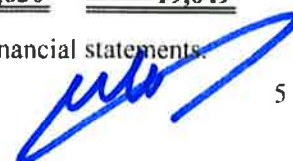


The accompanying notes form an integral part of these interim condensed financial statements.

**NAJRAN CEMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019**  
**(Expressed in '000 Saudi Riyals)**

	Notes	For the six months period ended June 30.	
		2019	2018
<b>Cash flows from operating activities:</b>			
Profit / (Loss) before zakat expense		7,215	(37,409)
<b>Adjustments to reconcile net profit for the year to net cash generated from operational activities:</b>			
Depreciation	5	37,891	52,042
Amortization	6	25	228
Write off of property, plant and equipment		-	109
(Gain) / Loss on sale of property, plant and equipment		(5)	260
Provision for bad debts written back		(419)	-
Provision for potential claims		(1,404)	1,404
Provision for bad debts		1	29
Finance cost		13,867	13,664
Provision for employees' terminal benefits	11	2,408	2,664
<b>Operating cash flow before working capital changes</b>		<b>59,579</b>	<b>32,991</b>
<b>Changes in operating assets and liabilities:</b>			
Trade receivables		3,309	2,864
Store, spare parts and loose tools		1,990	(687)
Stock in trade		34,462	19,032
Prepayments and other receivables		(3,965)	1,186
Advance from customers		(336)	(1,378)
Trade payables		(5,199)	(10,668)
Accrued and other payables		(4,280)	(4,756)
Cash generated from operations:		<b>85,560</b>	<b>38,584</b>
Finance charges paid		(13,932)	(11,196)
Zakat paid		(7,391)	-
End of service benefits paid	11	(850)	(1,049)
Net cash generated from operating activities		<b>63,387</b>	<b>26,339</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment		(5,706)	(1,937)
Additions to the intangible assets		(45)	-
Movements in spare parts held for capital use (strategic)		-	(453)
Addition to capital work in progress - net		-	(2,071)
Proceeds from sale of property, plant and equipment		20	67
Net cash (used in) investing activities		<b>(5,731)</b>	<b>(4,394)</b>
<b>Cash flows from financing activities:</b>			
Repayment of long term debts		(45,000)	(12,500)
Dividends paid		-	(26)
Board of directors' remuneration paid		(3,050)	(3,000)
Net cash (used in) financing activities		<b>(48,050)</b>	<b>(15,526)</b>
Increase in cash and cash equivalents		9,606	6,419
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	<b>21,630</b>	<b>19,049</b>

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 SIX MONTHS PERIOD ENDED JUNE 30, 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 10 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 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 statements of the Company for the period ended June 30, 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.



**NAJRAN CEMENT COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 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 SIX MONTHS PERIOD ENDED JUNE 30, 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.

**NAJRAN CEMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 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)

**4.4 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, bank balances and other short-term highly liquid investment of less than three months maturity at their acquisition date.

Restricted cash includes amounts in respect of unpaid dividends and which have been transferred to a specifically designated bank account.

**NAJRAN CEMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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
<b>Cost:</b>									
At January 1, 2019	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	-	-	1,862	3,801	26	8	-	9	5,706
Disposals during the period	-	-	-	(177)	-	-	-	-	(177)
Transfers during the year	-	-	2,058	-	-	-	(2,058)	-	-
At June 30, 2019 (unaudited)	<u>2,563</u>	<u>1,163,204</u>	<u>1,862,525</u>	<u>25,464</u>	<u>13,157</u>	<u>4,324</u>	<u>36,318</u>	<u>1,637</u>	<u>3,109,192</u>
<b>Accumulated Depreciation:</b>									
At January 1, 2019	-	309,644	631,127	17,734	8,477	2,610	-	-	969,592
Charge for the period	-	10,582	26,328	613	241	126	-	-	37,890
Disposals during the period	-	-	-	(162)	-	-	-	-	(162)
At June 30, 2019 (unaudited)	<u>-</u>	<u>320,226</u>	<u>657,455</u>	<u>18,185</u>	<u>8,718</u>	<u>2,736</u>	<u>-</u>	<u>-</u>	<u>1,007,320</u>
<b>Net Book Value:</b>									
At June 30, 2019 (unaudited)	<u>2,563</u>	<u>842,978</u>	<u>1,205,070</u>	<u>7,279</u>	<u>4,439</u>	<u>1,588</u>	<u>36,318</u>	<u>1,637</u>	<u>2,101,872</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 SIX MONTHS PERIOD ENDED 30 JUNE 2019  
(Expressed in '000 Saudi Riyals)

**6. INTANGIBLE ASSETS:**

	<u>June 30,</u> 2019	<u>December 31,</u> 2018
<b>Cost:</b>		
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>
<b>Accumulated amortization:</b>		
Balance at the beginning of the period / year	4,596	4,411
Amortization for the period / year	25	185
At the end of the period / year	<u>4,621</u>	<u>4,596</u>
Net book value	<u><b>4,100</b></u>	<u><b>4,080</b></u>

Amortization expense is included in general and administration expenses.

**7. STORES, SPARE PARTS AND LOOSE TOOLS:**

	<u>June 30,</u> 2019	<u>December 31,</u> 2018
Consumables spare parts	117,727	119,717
Less: provision for slow moving items and clinker stock handling	<u>(4,000)</u>	<u>(4,000)</u>
Net balance	<u><b>113,727</b></u>	<u><b>115,717</b></u>

7.1 Strategic spares held for future capital use amounting to SR 36,318 (2018: SR 38,376) are classified within property, plant and equipment.

**8. STOCK IN TRADE:**

	<u>June 30,</u> 2019	<u>December 31,</u> 2018
Raw materials, fuel and packing materials	21,355	23,137
Work in process	202,569	235,724
Finished goods	<u>8,758</u>	<u>8,283</u>
Total	<u><b>232,682</b></u>	<u><b>267,144</b></u>

**NAJRAN CEMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019**  
**(Expressed in '000 Saudi Riyals)**

**9. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES:**

	<u>June 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Advances to suppliers	6,544	3,781
Prepaid expenses	7,453	5,672
Refundable custom duties - net	1,514	2,014
Other receivables	2,318	2,396
Total	<u><b>17,829</b></u>	<u><b>13,863</b></u>

**10. CASH AND CASH EQUIVALENTS**

	<u>June 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Cash in hand	591	552
Current accounts at banks	11,039	11,472
Short term investment	10,000	-
Total	<u><b>21,630</b></u>	<u><b>12,024</b></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>June 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Balance at beginning of the period / year	25,629	25,366
Current service cost	2,408	3,907
Interest cost	-	843
Amount recognised in profit or loss account	2,408	4,750
Re-measurement loss recognized in other comprehensive income	-	(1,893)
Benefits (paid) during the period / year	(850)	(2,594)
Balance at the end of the period / year	<u><b>27,187</b></u>	<u><b>25,629</b></u>

**NAJRAN CEMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019**  
**(Expressed in '000 Saudi Riyals)**

**12. LONG TERM FINANCING:**

	Banque Saudi Fransi Note 12.1	SUKUK Note 12.2	Total
Principal amount as of January 01, 2019 - audited	150,000	400,000	550,000
Accrued mark up	-	1,106	1,106
	150,000	401,106	551,106
Less: Repayments/ redemptions during the period	(45,000)	-	(45,000)
Net principal amount	105,000	401,106	506,106
Less: Transferred to current liabilities	(45,000)	(401,106)	(446,106)
Balance as of June 30, 2019 (long term portion) - unaudited	60,000	-	60,000

**12.1 Tawarroq:**

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. Presettlement of instalment falling due on September 30, 2019 was made in June 2019.

In addition, a multiple purpose cash facility of SR 35,000 is also available but not utilized by the Company. This facility is secured by, inter alia, one order note amounting to SR 170,000.

**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.

**NAJRAN CEMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019**  
**(Expressed in '000 Saudi Riyals)**

**13. PROVISION FOR ZAKAT:**

	<u>June 30,</u> 2019	<u>December 31,</u> 2018
Balance at January 1	20,485	24,343
Provision for the period / year	3,750	7,407
Payments made during the period / year	<u>(7,391)</u>	<u>(11,264)</u>
Balance at end of the period/ year	<u><b>16,844</b></u>	<u><b>20,486</b></u>

**14. ACCRUED AND OTHER PAYABLES:**

	<u>June 30,</u> 2019	<u>December 31,</u> 2018
Raw material royalties payable	4,899	8,343
Other payables	1,429	6,701
Accrued expenses	568	512
Dividends payable	<u>1,008</u>	<u>1,008</u>
Total	<u><b>7,904</b></u>	<u><b>16,564</b></u>

**15. TURNOVER - NET:**

	<u>JUNE 30,</u>	
	<u>2019</u>	<u>2018</u>
Gross turnover	231,455	200,005
Less: incentives	<u>(48,692)</u>	<u>(47,666)</u>
Turnover - net	<u><b>182,763</b></u>	<u><b>152,339</b></u>



**NAJRAN CEMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019**  
**(Expressed in '000 Saudi Riyals)**

**16. COST OF SALES:**

	JUNE 30,	
	2019	2018
Raw and packing material consumed	5,476	5,263
Salaries, wages and related benefits	26,135	30,427
Royalties on raw materials	4,939	4,420
Blasting costs	352	2,531
Material handling and transport	5,468	7,137
Fuel and power	14,997	17,013
Repairs and maintenance	8,996	8,898
Operation and management expenses	5,280	5,489
Insurance	1,947	2,218
Depreciation	37,200	51,178
Ground lease rents	316	316
Other expenses	1,894	2,375
	<u>113,000</u>	<u>137,265</u>
Changes in inventories level	<u>32,873</u>	<u>18,852</u>
<b>Cost of sales</b>	<b><u>145,873</u></b>	<b><u>156,117</u></b>

**16.1** The cost of sales includes indirect cost which relates to the non-operating part of the Company's production line(s) during the period amounting to SR 21,285 (2018: SR 43,038).

**17. CONTINGENT LIABILITES:**

As of June 30, 2019, the Company had commitments in the form of letters of credit and bills for collection amounting to SR Nil (2018: SR 138 ).

**NAJRAN CEMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019**  
**(Expressed in '000 Saudi Riyals)**

---

**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.

**NAJRAN CEMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019**  
**(Expressed in '000 Saudi Riyals)**

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

**Credit risk:**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company's credit risk is primarily attributable to its liquid funds and receivables. Cash balances are deposited with major banks with good credit standings. Whilst a small number of customers account for a significant portion of both revenues and accounts receivable balances. These customers have provided appropriate guarantees ensuring that their debts will be recoverable. All major customers are high profile customers with the Kingdom of Saudi Arabia and there is no reason to suggest that there will be a loss of revenue from these sources.

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

**Liquidity risk:**

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

**Exposure to liquidity risk:**

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

	June 30, 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	446,106	60,000	-	61,170	490,000	-
Trade payables	20,530	-	-	25,727	-	-
Accrued and other payables	7,904	-	-	16,564	-	-
Provision for zakat	16,844	-	-	20,486	-	-
<b>Total</b>	<b>491,384</b>	<b>60,000</b>	<b>-</b>	<b>123,947</b>	<b>490,000</b>	<b>-</b>

**20. BOARD OF DIRECTORS APPROVAL:**

These condensed interim financial statements were approved by the Board of Directors of the Company on July 28, 2019.