SAUDI CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2017

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2017

INDEX **Pages**

BDO

Dr. Mohamed Al-Amri & Co.
Accountants & Consultants

P.O. Box 2590, Dammam, 31461
Tel.: +966 3 834 4311
Fax: +966 3 833 8553
info@alamri.com

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

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

Introduction

We have reviewed the accompanying condensed interim financial statements of Saudi Cement Company (A Saudi Joint Stock Company) ("the Company") which comprises of interim statement of financial position as at 30 September 2017, the related interim statements of Income and other comprehensive income for the three months and nine months periods then ended, the changes in equity and cash flows for the nine months period then ended, and a summary of significant accounting policies and selected notes from (1) to (14).

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, `Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements for the three months and nine months periods ended 30 September 2017 are not prepared, in all material respects, in accordance with IAS 34, `Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

Other matter

The financial statements for the year ended 31 December 2016 and condensed interim financial statements for the quarter ended 31 March 2017 were audited / reviewed by another auditor whose reports dated 15 Jumada' 1438 H (corresponding to 12 February 2017) and 13 Sha'ban 1438H (corresponding to 09 May 2017) respectively, contained an unqualified opinion/conclusion thereon.

For Dr. Mohamed Al-Amri & Co.

M. AlAmri

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

Dammam
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

22 October 2017 G
02 Safar 1439 H

Partners: Dr. Mohamed Al-Amri (60), Jamal M. Al-Amri (331), Gihad M. Al-Amri (362)
• Riyadh: Tel. 2780608, Fax: 2782883 • Jeddah: Tel. 6394477, Fax: 6394058, www.alamri.com
Dr. Mohamed Al-Amri & Co., a Saudi Professional Company registered under licence no. 323/11/66, is as member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
As at 30 September 2017

	Notes	*30 September 2017 SR '000*	*31 December 2016 SR '000*	*1 January 2016 SR '000*
ASSETS				
Non-current assets				
Property, plant and equipment		**2,770,887**	2,894,671	3,012,494
Investments in associates		**59,775**	60,100	82,800
Total non-current assets		**2,830,662**	2,954,771	3,095,294
Current assets				
Inventories		**765,031**	723,144	665,111
Trade receivables		**225,476**	259,357	226,922
Prepayments and other receivables		**45,958**	40,139	51,375
Cash and cash equivalents		**43,501**	183,820	383,000
Total current assets		**1,079,966**	1,206,460	1,326,408
TOTAL ASSETS		**3,910,628**	4,161,231	4,421,702
EQUITY AND LIABILITIES				
Equity				
Share capital		**1,530,000**	1,530,000	1,530,000
Statutory reserve		**459,000**	765,000	765,000
General reserve		**-**	-	20,000
Retained earnings		**781,575**	894,577	844,336
Total equity		**2,770,575**	**3,189,577**	**3,159,336**
LIABILITIES				
Non-current liabilities				
Employees' benefits		**85,828**	87,451	95,915
Current liabilities				
Current portion of Saudi Industrial Development Fund Loan		**-**	-	120,000
Islamic financing	*8*	**630,000**	400,000	600,000
Trade payables		**93,312**	103,958	90,818
Dividends payable	*9*	**201,896**	210,350	172,395
Accruals and other payables		**98,613**	132,701	150,393
Provision for zakat		**30,404**	37,194	32,845
Total current liabilities		**1,054,225**	884,203	1,166,451
TOTAL LIABILITIES		**1,140,053**	971,654	1,262,366
TOTAL EQUITY AND LIABILITIES		**3,910,628**	4,161,231	4,421,702

Designated Member / CEO

Finance Manager

The accompanying notes from 1 to 14 form an integral part of these condensed interim financial statements.

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME (UN-AUDITED)
For the three months and nine months periods ended 30 September 2017

	Three months period ended 30 September		Nine months period ended 30 September	
	2017	2016	**2017**	2016
	SR '000	SR '000	**SR '000**	SR '000
Sales	**250,194**	375,054	**865,996**	1,380,758
Cost of sales	**(134,619)**	(142,868)	**(438,078)**	(570,994)
GROSS PROFIT	**115,575**	232,186	**427,918**	809,764
Selling and distribution expenses	**(6,554)**	(9,504)	**(21,051)**	(26,344)
General and administrative expenses	**(15,308)**	(14,077)	**(45,795)**	(46,159)
OPERATING PROFIT	**93,713**	208,605	**361,072**	737,261
Other income	**-**	2,014	**1,769**	3,435
Share in net results of associates	**14**	908	**1,284**	3,696
Follow up fees in respect of Saudi Industrial Development Fund loans	**-**	-	**-**	(2,100)
Islamic financial charges	**(4,134)**	(4,129)	**(9,255)**	(9,671)
INCOME BEFORE ZAKAT	**89,593**	207,398	**354,870**	732,621
Zakat	**(2,240)**	(5,116)	**(8,872)**	(18,307)
NET INCOME FOR THE PERIOD	**87,353**	202,282	**345,998**	714,314
Other comprehensive income	**-**	-	**-**	-
TOTAL COMPREHENSIVE INCOME	**87,353**	202,282	**345,998**	714,314
Earnings per share (Saudi Riyals)				
Basic and diluted earnings per share attributable to the equity holders of the Company	**0.57**	1.32	**2.26**	4.67

Designated Member / CEO **Finance Manager**

The accompanying notes from 1 to 14 form an integral part of these condensed interim financial statements.

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
For the nine months period ended 30 September 2017

	Share capital	Statutory reserve	General reserve	Retained earnings	Total
	SR '000	*SR '000*	*SR '000*	*SR '000*	*SR '000*
Balance as at 1 January 2016 (note 6.3)	1,530,000	765,000	20,000	844,336	3,159,336
Net income for the period	-	-	-	714,314	714,314
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	714,314	714,314
Transferred to retained earnings	-	-	(20,000)	20,000	-
Dividends (note 9)	-	-	-	(879,750)	(879,750)
Balance at 30 September 2016	1,530,000	765,000	-	698,900	2,993,900
Balance as at 1 January 2017 (note 6.2)	**1,530,000**	**765,000**	-	**894,577**	**3,189,577**
Net income for the period	-	-	-	**345,998**	**345,998**
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	**345,998**	**345,998**
Transferred to retained earnings (note 7)	-	**(306,000)**	-	**306,000**	-
Dividends (note 9)	-	-	-	**(765,000)**	**(765,000)**
Balance at 30 September 2017	**1,530,000**	**459,000**	-	**781,575**	**2,770,575**

Designated Member / CEO **Finance Manager**

The accompanying notes from 1 to 14 form an integral part of these condensed interim financial statements.

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
For the nine months period ended 30 September 2017

	Nine months period ended 30 September	
	2017	*2016*
	SR '000	*SR '000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before zakat	**354,870**	732,621
Adjustments to reconcile income before zakat to net cash provided by operating activities:		
Depreciation of property, plant and equipment	**156,418**	168,989
Islamic financial charges	**9,255**	9,671
Share in results of associates	**(1,284)**	(3,696)
Employees' end of service benefit, net	**(1,623)**	34
Gain on disposal of investment in associated company	**-**	(322)
Gain on disposal of property, plant and equipment	**(91)**	(70)
Written off of property, plant and equipment	**-**	2,048
	517,545	909,275
Working capital changes		
Inventories	**(41,887)**	(29,014)
Trade receivables	**33,881**	(46,031)
Prepayments and other receivables	**(5,819)**	6,713
Trade payables	**(10,646)**	(10,407)
Accruals and other payables	**(42,543)**	25,387
	(67,014)	(53,352)
Islamic financial charges paid	**(9,255)**	(9,671)
Zakat paid	**(15,662)**	(19,174)
Net cash generated from operating activities	**425,614**	827,078
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(32,634)**	(92,285)
Proceeds from disposal of property, plant and equipment	**91**	2,271
Proceeds from disposal of investment in associated company	**-**	24,310
Dividend received from an associate	**1,610**	2,683
Net cash used in investing activities	**(30,933)**	(63,021)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net movements in islamic financing	**230,000**	(125,000)
Repayment of Saudi Industrial Development Fund loans	**-**	(60,000)
Dividend paid	**(765,000)**	(879,750)
Net cash used in financing activities	**(535,000)**	(1,064,750)
Net change in cash and cash equivalents	**(140,319)**	(300,693)
Cash and cash equivalents at the beginning of the period	**183,820**	383,000
Cash and cash equivalents at the end of the period	**43,501**	82,307

Designated Member / CEO **Finance Manager**

The accompanying notes from 1 to 14 form an integral part of these condensed interim financial statements.

1 Corporate information

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

The Company has obtained under the Royal Decree number 10/6/6/8500 dated 26 Rajab 1370H (corresponding to 3 May 1951) the right of the mining concession for the extraction of limestone, gypsum and clay and all the necessary materials for the manufacture of cement in Al Hassa for 30 years period. The Company has also obtained under the Ministerial Resolution number 45 dated 4 Rabi' I 1405 H (corresponding to 27 November 1984) from the Council of Ministers, the right of the mining concession for the extraction of limestone, gypsum and clay and all the necessary materials for the manufacture of cement in Al Jadidah (Khashem Em Houidah), with an area of nineteen square kilometers for 30 years period, where the Company has to fulfill certain contractual obligations related to these agreements. The Company is in the process to renew these for another period.

2 Basis of preparation

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard, "*Interim Financial Reporting*" ("IAS 34") as endorsed in Kingdom of Saudi Arabia ("KSA"). These are the Company's third condensed interim financial statements in accordance with International Financial Reporting Standards ("IFRS") for part of the period covered by the first annual financial statements to be prepared in accordance with IFRS that are endorsed in KSA and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA"), and accordingly International Financial Reporting Standard, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") as endorsed in KSA has been applied. Refer to note 6 for information on the first time adoption of IFRS as endorsed in KSA, by the Company

These condensed interim financial statements do not include all the information and disclosures required in annual financial statements to be prepared in accordance with IFRS that are endorsed in KSA and other standards and pronouncements that are issued by the SOCPA, which will be produced for the year ending 31 December 2017.

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

3 Significant accounting estimates, assumptions and judgments

The preparation of the Company's condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the interim statement of financial position date, that have a significant risk of causing a material carrying amounts of assets and liabilities within the financial year include:

- Useful lives of property, plant and equipment
- Impairment test of non-financial assets
- Provisions
- Long-term assumptions for employee benefits

3.2 Critical judgments in applying accounting standards

The following critical judgments have the most significant effect on the amounts recognized in the condensed interim financial statements

- Component parts of property, plant and equipment
- Cash Generating Unit (CGU")
- Homogeneity of the inventory
- Decommissioning and restoration costs

4 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's condensed interim financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption. The Company does not expect to adopt the new standard before 1 January 2018

IFRS 15 Revenue from Contracts with Customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption.

At this stage, the Company is not able to estimate the effect of the new rules on the Company's condensed interim financial statements. The Company will make more detailed assessments of the effect during the year of 2017. The Company does not expect to adopt the new standard before 1 January 2018.

IFRS 16 Leases

The IASB has issued a new standard for the recognition of leases. This standard will replace:

- IAS 17 – Leases'
- IFRIC 4 – 'Whether an arrangement contains a lease'
- SIC 15 – 'Operating leases – Incentives'
- SIC-27 – 'Evaluating the substance of transactions involving the legal form of a lease'

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and lease assets; however, this exemption can only be applied by lessees.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The mandatory date for adoption for the standard is 1 January 2019.

5 Summary of significant accounting polices

Current versus non-current classification

The Company presents assets and liabilities in the interim 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 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.

5 Summary of significant accounting polices (continued)

A liability is current when:

- It is expected to be settled in 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.

All other liabilities are classified as non-current.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects (qualifying assets), if the recognition criteria are met. Where such assets are constructed in-house, their cost includes all amounts necessary to bring the asset to the present condition and location to be ready for intended use by management and excludes all costs such as general and administrative expenses and training costs. Any feasibility study costs are expensed as incurred unless they relate to specifically identifiable asset being constructed in-house and are directly attributable to it. Pre-operating costs during startup period net of proceeds from sale of trial production, are included as part of cost of the relevant item of property, plant and equipment, provided it is a directly attributable cost which meets the recognition criteria, and only up to the point the asset is in a condition ready for intended use.

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item, and where such parts/components have a useful life different than other parts and are required to be replaced at different intervals, the Company shall recognize such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its directly attributable cost is recognized in the carrying amount of the property, plant and equipment if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the interim statement of income and other comprehensive income as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. The Company will periodically assess the expectation and estimation for the decommissioning liability.

Environment, health, safety and security (EHS&S) related expenditures, including contamination treatment costs, are capitalized if they meet the recognition criteria, mainly, that such costs are required by prevailing applicable legislation and are required to continue the license to operate or is imposed by the Company's own mandatory requirements relating to EHS&S. These are capitalized together with the cost of the relevant item of property, plant and equipment to which they relate.

Depreciation is calculated from the date the item of property, plant and equipment are available for its intended use or in respect of self-constructed assets, from the date such assets are ready for the intended use.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Buildings and civil works	13 to 33 years
Plant and equipment	3 to 30 years
Tools and transportation equipment	4 to 10 years
Furniture, fixtures and office equipment	4 to 10 years

5 Summary of significant accounting polices (continued)

Property, plant and equipment (continued)

The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial year–end.

Land and assets under construction, which are not ready for its intended use, are not depreciated.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the interim statement of income and other comprehensive income.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Associates

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. This is generally the case where the Company holds between 20% and 50% of the voting rights.

Equity method of accounting is used for the investment in associates. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses of the investee in the statement of income, and the Company's share of movements in other comprehensive income (OCI) of the investee in other comprehensive income.

Dividends received or receivable from associate are recognized as a reduction in the carrying amount of the investment.

When the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as 'Share in net result of associates' in the interim statement of income and other comprehensive income.

5 Summary of significant accounting polices (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the assets recoverable amount An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (pre-zakat) that reflects current market assessment of the time value of money and the risks specific to the asset.

The Company's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGUs, as the Company considered as single CGU. These budgets and forecast calculations are generally covering a five-year period. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the budget period

Impairment losses of continuing operations, including impairment on working capital, if applicable, are recognized in the interim statement of income and other comprehensive income in those expense categories consistent with the function of the impaired asset.

Irrespective of whether there is any indication of impairment, the Company shall also test intangible assets with an indefinite useful life (including goodwill) for impairment on annual basis.

For assets other than above, an assessment is made at each financial year-end as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the interim statement of income and other comprehensive income

Inventories

Inventories, including raw materials, finished goods and consumables (spares) are valued at the lower of cost i.e. historical purchase prices based on the weighted average principle plus directly attributable costs (primarily duty and transportation), or the net realizable value.

Inventories of finished goods include cost of materials, labor and an appropriate proportion of variable and fixed direct overheads.

The cost of inventories is assigned by using weighted average cost formula. The Company is using the same cost formula for all inventories having a similar nature and use to the Company. For inventories with a different nature or use, different cost formulas are used.

5 Summary of significant accounting polices (continued)

Inventories (continued)

Abnormal inventory losses due to quality or other issues and overheads incurred during unplanned maintenance / shut down period are excluded from inventory costs. The allocation of overheads at period end for the purpose of inventory valuation are based on the higher of normal capacity or actual production for the period. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to complete a sale.

Consumable spare parts

Consumables are ancillary materials which are consumed in the production of semi-finished and finished products. Consumables may include engineering materials, one-time packaging materials and certain catalysts.

Spare parts are the interchangeable parts of property, plant and equipment, which are considered to be essential to support routine maintenance, repair and overhaul of plant and equipment or to be used in emergency situations for repairs. The Company maintains the following different types of spare parts:

- Stand-by equipment items acquired together with the plant/production line or purchased subsequently but related to a particular plant or production line and will rarely be required are critical to plant operation and must be available at stand-by at all times. These are capitalized as part of property, plant and equipment and depreciated from purchase date over a period which is shorter of the component's useful life or the remaining useful life of the plant in which it is to be utilized. These do not form part of inventory provided capitalization criteria under property, plant and equipment is met.

- Repairable items that are plant/production line specific with long lead times and will be replaced and refurbished frequently (mostly during turnarounds). These are capitalized as part of property, plant and equipment where the capitalization criteria are met. Depreciation is started from day of installation of these items in the plant, and the depreciation period is the shorter of the useful life of the component and the remaining useful life of the related property, plant and equipment in which it is installed. These do not form part of inventory.

- General capital spares and other consumables items which are not of a critical nature and are of a general nature, i.e., not plant specific and can be used in multiple plants or production lines and any other items which may be required at any time for facilitating plant operations. They are generally classified as 'consumables and spare parts' under inventory, unless they exceed the threshold and have a useful life of more than one year, under which case they are recorded under property, plant and equipment. Items recorded under inventory are subject to assessment for obsolescence provision and are charged to the interim statement of income upon their installation or use. Where such items meet criteria for capitalization, their depreciation method is similar to repairable items as noted above.

Trade receivables

Trade receivables are stated at the amortized cost, which generally correspond to face value (original invoice amount), do not bear interest, and generally have a 60 to 90 days term, less any provision for doubtful debts and impairment. An allowance for doubtful debts is made based upon Company's best estimate of expected credit losses related to those receivables. Such estimate is based on customers' financial status and historical write-off experience. Account balances are written off against such allowance after all means of collection have been exhausted and potential of recovery is remote. Bad debts written off as such are recorded in the interim statement of income and other comprehensive income as incurred.

5 Summary of significant accounting polices (continued)

Trade receivables (continued)

Other receivables include supplier advances and employee receivables and other such receivables which are not 'trade' receivables. Other receivables are stated at amortized cost which generally corresponds to their face value. Allowance for doubtful receivables is assessed as per methodology noted above.

Cash and cash equivalents

Cash and cash equivalents include bank balances and short-term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Statutory reserve

In accordance with the regulations for companies in the Kingdom of Saudi Arabia and the Company's articles of association, the Company established a statutory reserve by the appropriation of 10% of net income until the reserve equaled 30% of the share capital.

Employees' benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare, child education allowance, furniture allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled The liabilities are presented as current employee benefit obligations in interim statement of financial position.

Employees' terminal benefits

The liability or asset recognised in the interim statement of financial position in respect of the defined end of service benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method.

The net interest cost is calculated by applying the discount rate to the net balance of the defined end of service benefit obligation. This cost is included in employee benefit expense in the interim statement of income and other comprehensive income. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in interim other comprehensive income. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in interim statement of income and other comprehensive income as past service costs.

Employees' saving plan

The Company operates a saving plan to encourage its Saudi employees to make savings in a manner that will warrant an increase in their income and contribute to securing their future according to the established plan. The saving contributions from the participants are deposited in a separate bank account other than the Company's normal operating bank accounts (but not in any separate legal entity). This cash is a restricted balance and for purpose of presentation in the condensed interim financial statements, it is offset with the related liability under the savings plan and net liability to employees is reported under the employee benefits liability

5 Summary of significant accounting polices (continued)

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where management of the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in interim statement of income and other comprehensive income net of any reimbursement If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Zakat

Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia and on accruals basis and is based on the period share of the estimated zakat for the whole year. The provision is charged to the interim statement of income and other comprehensive income.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as accounts receivables, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified as loans and receivables:

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the interim statement of income and other comprehensive income.

5 Summary of significant accounting polices (continued)

Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's interim statement of financial position) when:

- The contractual rights to the cash flows from the financial assets expire, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified under either of the two classes at initial recognition:

- Financial liabilities at fair value through profit or loss,
- Other financial liabilities measured at amortized cost using the effective interest rate method.

Initial recognition and measurement (continued)

The category of financial liability at fair value through profit or loss has two subcategories:

- Designated: a financial liability that is designated by the entity as a liability at fair value through profit or loss upon initial recognition,
- Held for trading: a financial liability classified as held for trading, such as an obligation for securities borrowed in a short sale, which have to be returned in the future. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

All financial liabilities are recognized initially when the Company becomes party to a contractual provisions and obligations under the financial instrument. The liabilities are recorded at fair value, and in the case of loans and borrowings and payables, the proceeds received net of directly attributable transaction costs.

5 Summary of significant accounting polices (continued)

Financial liabilities (continued)

Subsequent measurement

Financial liabilities at fair value through profit and loss will continue to be recorded at fair value with changes being recorded in the interim statement of income and other comprehensive income.

For other financial liabilities, including loans and borrowings, after initial recognition, these are subsequently measured at amortized cost using the effective interest rate method. Gain and losses are recognized in interim statement of income and other comprehensive income when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortization is included as finance costs in the interim statement of income and other comprehensive income.

De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the interim statement of income and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the interim statement of financial position if there is a currently enforceable legal right to offset recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Transactions and balances in foreign currency

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the interim statement of income and other comprehensive income.

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.

5 Summary of significant accounting polices (continued)

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 best economic interest.

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

All assets and liabilities for which fair value is measured or disclosed in the condensed interim financial statements are categorized within the fair value hierarchy, 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 —Valuation techniques 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 recognized in the condensed interim financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the 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.

The policies and procedures for both recurring fair value measurement are evaluated periodically.

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.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding any taxes or duty. Amounts disclosed as revenue are net of returns.

The specific recognition criteria described below must also be met before revenue is recognized.

5 Summary of significant accounting polices (continued)

Revenue recognition (Continued)

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenues represent the invoiced value of goods shipped by the Company during the period, net of any trade and quantity discounts.

Where the Company assesses itself as the principal, it records all relevant sales and costs of sale for the goods sold

Expenses

Cost of sales

All expenses are recognized on an accrual basis. Operating costs are recognized on a historical cost basis. Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw material, direct labor and other attributable overhead costs. Other costs such as selling costs are recorded as selling and distribution expenses while all remaining other costs are presented as general and administrative expenses.

Selling and distribution expenses

These include any costs incurred to carry out or facilitate all selling activities at the Company. These costs typically include marketing and distribution and logistics expenses as well as commissions. These also include allocations of certain general overheads.

General and administrative expenses

These pertain to operation expenses which are not directly related to the production of any goods or services. These also include allocations of general overheads which are not specifically attributed to cost of sales or selling and distribution expenses.

Allocation of overheads between cost of sales, selling and distribution expenses, and general and administrative expenses, where required, is made on a consistent basis based on predetermined rates as appropriate by the Company.

Finance income

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the interim statement of income and other comprehensive income. Earnings on time deposits are recognized on an accrual basis.

5 Summary of significant accounting polices (continued)

Earnings per share

Basic earnings per share is calculated by dividing:

- the net profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares, if any.

Diluted EPS is calculated by dividing the net profit attributable to ordinary shareholders of the Company (after adjusting for interest on the convertible preference shares, if any) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion, (if any) of all the dilutive potential ordinary shares into ordinary shares.

6 First-time adoption of IFRS

For all periods up to and including the year ended 31 December 2016, the Company prepared and published its financial statements only in accordance with generally accepted accounting standards in Kingdom of Saudi Arabia ("SOCPA" or "Previous GAAP"). These are the Company's third condensed interim financial statements in accordance with IAS 34, "*Interim Financial Reporting*" and IFRS 1, "*First-time Adoption of International Financial Reporting Standards*" that are endorsed in Kingdom of Saudi Arabia.

Accordingly, the Company has prepared financial statements, which comply with IFRS that are endorsed in Kingdom of Saudi Arabia applicable for periods beginning on or before 1 January 2017, together with the comparative period data. In preparing the accompanying condensed interim financial statements, the Company's opening statement of financial position was prepared as at 1 January 2016 after incorporating certain adjustments made as required due to the first time adoption of IFRS as endorsed in Kingdom of Saudi Arabia.

In preparing its opening statement of financial position as at 1 January 2016 in accordance with IFRS that are endorsed in Kingdom of Saudi Arabia, the financial statements for the year ended 31 December 2016 and the condensed interim financial statements for the three months and nine months periods ended 30 September 2016, the Company has analyzed the impact and noted certain adjustments that are required to the amounts reported previously in the financial statements prepared in accordance with SOCPA

Exemptions applied:

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Company has applied the following exemption:

The Company has applied the transitional provisions in IAS 23 Borrowing Costs and capitalises borrowing costs relating to all qualifying assets after the date of transition. Similarly, the Company has not restated for borrowing costs capitalised under SOCPA on qualifying assets prior to the date of transition to IFRS.

The notes below explain the principal adjustments made by the Company in restating its SOCPA financial statements to IFRS:

6 First-time adoption of IFRS (continued)

6.1 The following is a reconciliation of the Company's statement of financial position reported in accordance with SOCPA to its statement of financial position under IFRS at 31 December 2016:

	Notes	SOCPA as at 31 December 2016	Re-classifica-tions	Re-measure-ments	IFRS as at 31 December 2016
		SR '000	*SR '000*	*SR '000*	*SR '000*
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	A,B	**2,729,940**	254,444	(89,713)	2,894,671
Construction work in progress		**160,119**	(160,119)	-	-
Investments in associates		**60,100**	-	-	60,100
TOTAL NON-CURRENT ASSETS		**2,950,159**	94,325	(89,713)	2,954,771
CURRENT ASSETS					
Inventories	A	**817,469**	(94,325)	-	723,144
Trade receivables		**259,357**	-	-	259,357
Prepayments and other receivables		**40,139**	-	-	40,139
Cash and cash equivalents		**183,820**	-	-	183,820
TOTAL CURRENT ASSETS		**1,300,785**	(94,325)	-	1,206,460
TOTAL ASSETS		**4,250,944**	-	(89,713)	4,161,231
EQUITY AND LIABILITIES					
EQUITY					
Share capital		**1,530,000**	-	-	1,530,000
Statutory reserve		**765,000**	-	-	765,000
Retained earnings	6.2	**980,464**	-	(85,887)	894,577
TOTAL EQUITY		**3,275,464**	-	(85,887)	3,189,577
LIABILITIES					
NON-CURRENT LIABILITIES					
Employee benefits	C	**91,277**	-	(3,826)	87,451
CURRENT LIABILITIES					
Islamic financing		**400,000**	-	-	400,000
Trade payables		**103,958**	-	-	103,958
Current portion of liability for charitable contribution		**20,000**	(20,000)	-	-
Dividends payable		**210,350**	-	-	210,350
Accruals and other payables		**112,701**	20,000	-	132,701
Zakat provision		**37,194**	-	-	37,194
TOTAL CURRENT LIABILITIES		**884,203**	-	-	884,203
TOTAL LIABILITIES		**975,480**	-	(3,826)	971,654
TOTAL EQUITY AND LIABILITIES		**4,250,944**	-	(89,713)	4,161,231

6 First-time adoption of IFRS (continued)

6.2 Reconciliation of retained earnings as at 31 December 2016

Following is the analysis of the impact of IFRS re-measurements on retained earnings:

	Notes	*Impact on retained earnings at 31 December 2016*
		SR '000
Retained earnings as per SOCPA		980,464
IFRS adjustments related to:		
Difference in depreciation as a result of componentization of property, plant and equipment	B	(86,340)
Depreciation adjustment of spare parts	A	(15,318)
Actuarial valuations of employee benefits	C	3,826
Reversal of capital spare parts utilized	A	11,945
Retained earnings as per IFRS		894,577

6 First-time adoption of IFRS (continued)

6.3 The following is a reconciliation of the Company's statement of financial position reported in accordance with SOCPA to its statement of financial position under IFRS at the transition date 1 January 2016:

	Notes	SOCPA as at 1 January 2016	Re-classifications	Re-measurements	IFRS as at 1 January 2016
		SR '000	*SR '000*	*SR '000*	*SR '000*
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	A,B	2,876,424	227,957	(91,887)	3,012,494
Construction work in progress		138,134	(138,134)	-	-
Investments in associates		82,800	-	-	82,800
TOTAL NON-CURRENT ASSETS		3,097,358	89,823	(91,887)	3,095,294
CURRENT ASSETS					
Inventories	A	754,934	(89,823)	-	665,111
Trade receivables		226,922	-	-	226,922
Prepayments and other receivables		51,375	-	-	51,375
Cash and cash equivalents		383,000	-	-	383,000
TOTAL CURRENT ASSETS		1,416,231	(89,823)	-	1,326,408
TOTAL ASSETS		4,513,589	-	(91,887)	4,421,702
EQUITY AND LIABILITIES					
EQUITY					
Share capital		1,530,000	-	-	1,530,000
Statutory reserve		765,000	-	-	765,000
General reserve		20,000	-	-	20,000
Retained earnings	6.4	940,822	-	(96,486)	844,336
TOTAL EQUITY		3,255,822	-	(96,486)	3,159,336
LIABILITIES					
NON-CURRENT LIABILITIES					
Employee benefits	C	91,316	-	4,599	95,915
CURRENT LIABILITIES					
Current portion of Saudi Industrial Development Fund loan		120,000	-	-	120,000
Islamic financing		600,000	-	-	600,000
Trade payables		90,818	-	-	90,818
Current portion of liability for charitable contribution		30,000	(30,000)	-	-
Dividends payable		172,395	-	-	172,395
Accruals and other payables		120,393	30,000	-	150,393
Zakat provision		32,845	-	-	32,845
TOTAL CURRENT LIABILITIES		1,166,451	-	-	1,166,451
TOTAL LIABILITIES		1,257,767	-	4,599	1,262,366
TOTAL EQUITY AND LIABILITIES		4,513,589	-	(91,887)	4,421,702

6 First-time adoption of IFRS (continued)

6.4 Reconciliation of retained earnings as at 1 January 2016

Following is the analysis of the impact of IFRS re-measurements on retained earnings:

	Notes	*Impact on retained earnings at 1 January 2016*
		SR '000
Retained earnings as per SOCPA		940,822
IFRS adjustments related to:		
Difference in depreciation as a result of componentization of property, plant and equipment	B	(82,988)
Depreciation adjustment of spare parts	A	(8,899)
Actuarial valuations of employee benefits	C	(4,599)
Retained earnings as per IFRS		844,336

6 First-time adoption of IFRS (continued)

6.5 The following is a reconciliation of the Company's statement of interim financial position reported in accordance with SOCPA to its statement of interim financial position under IFRS as at 30 September 2016:

	Notes	SOCPA as at 30 September 2016	Re-classifications	Re-measurements	IFRS as at 30 September 2016
		SR '000	*SR '000*	*SR '000*	*SR '000*
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	A,B	2,762,427	259,365	(90,251)	2,931,541
Construction work in progress		159,299	(159,299)	-	-
Investments in associates		59,824	-	-	59,824
TOTAL NON-CURRENT ASSETS		2,981,550	100,066	(90,251)	2,991,365
CURRENT ASSETS					
Inventories	A	794,191	(100,066)	-	694,125
Trade receivables		272,953	-	-	272,953
Prepayments and other receivables		44,662	-	-	44,662
Cash and cash equivalents		82,307	-	-	82,307
TOTAL CURRENT ASSETS		1,194,113	(100,066)	-	1,094,047
TOTAL ASSETS		4,175,663	-	(90,251)	4,085,412
EQUITY AND LIABILITIES					
EQUITY					
Share capital		1,530,000	-	-	1,530,000
Statutory reserve		765,000	-	-	765,000
General reserve		-	-	-	-
Retained earnings	6.6	793,750	-	(94,850)	698,900
TOTAL EQUITY		3,088,750	-	(94,850)	2,993,900
LIABILITIES					
NON-CURRENT LIABILITIES					
Employee benefits	C	91,350	-	4,599	95,949
CURRENT LIABILITIES					
Current portion of Saudi Industrial Development Fund loan		60,000	-	-	60,000
Islamic financing		475,000	-	-	475,000
Trade payables		80,411	-	-	80,411
Current portion of liability for charitable contribution		20,000	(20,000)	-	-
Dividends payable		215,572	-	-	215,572
Accruals and other payables		112,602	20,000	-	132,602
Zakat provision		31,978	-	-	31,978
TOTAL CURRENT LIABILITIES		995,563	-	-	995,563
TOTAL LIABILITIES		1,086,913	-	4,599	1,091,512
TOTAL EQUITY AND LIABILITIES		4,175,663	-	(90,251)	4,085,412

6 First-time adoption of IFRS (continued)

6.6 Reconciliation of retained earnings as at 30 September 2016

Following is the analysis of the impact of IFRS re-measurements on retained earnings:

	Notes	*Impact on retained earnings at 30 September 2016*
		SR '000
Retained earnings as per SOCPA		793,750
IFRS adjustments related to:		
Difference in depreciation as a result of componentization of property, plant and equipment	B	(85,431)
Depreciation adjustment of spare parts	A	(13,294)
Actuarial valuations of employee benefits	C	(4,599)
Reversal of capital spare parts	A	8,474
Retained earnings as per IFRS		698,900

6 First-time adoption of IFRS (continued)

6.7 The following is a reconciliation of the Company's interim statement of income and other comprehensive income for the three months period ended 30 September 2016 from SOCPA to IFRS:

	Note	SOCPA for the three months period ended 30 September 2016	Re-measurements	IFRS for the three months period ended 30 September 2016
		SR '000	*SR '000*	*SR '000*
Sales		375,054	-	375,054
Cost of sales	*6.10*	(144,714)	1,846	(142,868)
GROSS PROFIT		230,340	1,846	232,186
Selling and distribution expenses		(9,504)	-	(9,504)
General and administrative expenses		(14,077)	-	(14,077)
OPERATING PROFIT		206,759	1,846	208,605
Other income		2,014	-	2,014
Share in net results of associates		908	-	908
Islamic financial charges		(4,129)	-	(4,129)
INCOME BEFORE ZAKAT		205,552	1,846	207,398
Zakat		(5,116)	-	(5,116)
NET INCOME FOR THE PERIOD		200,436	1,846	202,282
Other comprehensive income		-	-	-
TOTAL COMPREHENSIVE INCOME		200,436	1,846	202,282

6 First-time adoption of IFRS (continued)

6.8 The following is a reconciliation of the Company's interim statement of income and other comprehensive income for the nine months period ended 30 September 2016 from SOCPA to IFRS:

	Note	SOCPA for the nine months period ended 30 September 2016	Re-measurements	IFRS for the nine months period ended 30 September 2016
		SR '000	*SR '000*	*SR '000*
Sales		1,380,758	-	1,380,758
Cost of sales	*6.10*	(572,630)	1,636	(570,994)
GROSS PROFIT		808,128	1,636	809,764
Selling and distribution expenses		(26,344)	-	(26,344)
General and administrative expenses	*6.10*	(43,959)	(2,200)	(46,159)
OPERATING PROFIT		737,825	(564)	737,261
Other income		3,435	-	3,435
Share in net results of associates		3,696	-	3,696
Follow-up fees in respect of Saudi Industrial Development Fund loans		(2,100)	-	(2,100)
Islamic financial charges		(9,671)	-	(9,671)
INCOME BEFORE ZAKAT		733,185	(564)	732,621
Zakat		(18,307)	-	(18,307)
NET INCOME FOR THE PERIOD		714,878	(564)	714,314
Other comprehensive income		-	-	-
TOTAL COMPREHENSIVE INCOME		714,878	(564)	714,314

6 First-time adoption of IFRS (continued)

6.9 The following is a reconciliation of the Company's statement of income and other comprehensive income for the year ended 31 December 2016 from SOCPA to IFRS:

	Note	SOCPA for year ended 31 December 2016	Re-measurements	IFRS for the year ended 31 December 2016
		SR '000	*SR '000*	*SR '000*
Sales		1,778,139	-	1,778,139
Cost of sales	6.10	(749,139)	1,582	(747,557)
GROSS PROFIT		1,029,000	1,582	1,030,582
Selling and distribution expenses		(35,501)	-	(35,501)
General and administrative expenses	6.10	(60,766)	(2,200)	(62,966)
OPERATING PROFIT		932,733	(618)	932,115
Other income		4,274	-	4,274
Share in net results of associates		5,045	-	5,045
Follow-up fees in respect of Saudi Industrial Development Fund loans		(3,715)	-	(3,715)
Islamic financial charges		(13,222)	-	(13,222)
INCOME BEFORE ZAKAT		925,115	(618)	924,497
Zakat		(23,523)	-	(23,523)
NET INCOME FOR THE PERIOD		901,592	(618)	900,974
Other comprehensive income				
Other comprehensive income not to be reclassified to income in subsequent periods:				
Re-measurement gain on defined benefit plans	6.10	-	9,017	9,017
TOTAL COMPREHENSIVE INCOME		901,592	8,399	909,991

6 First-time adoption of IFRS (continued)

6.10 The following table illustrates the reconciliation of statement of income and other comprehensive income from SOCPA to IFRS for Company on adoption of IFRS:

Reconciliation of statement of income and other comprehensive income

	Notes	***For the year ended 31 December 2016***	***For the three months period ended 30 September 2016***	***For the nine months period ended 30 September 2016***
		SR '000	*SR '000*	*SR '000*
Net Income and other comprehensive income under SOCPA		901,592	200,436	714,878
IFRS adjustments related to:				
Difference in depreciation as a result of componentization of property, plant and equipment	*B*	(3,352)	(822)	(2,443)
Depreciation adjustments of spare parts	*A*	(6,419)	(1,673)	(4,395)
Employees' end of service benefits	*C*	(592)	-	-
Reversal of capital spare parts utilized	*A*	11,945	4,341	8,474
Board of Directors' remuneration	*D*	(2,200)	-	(2,200)
Net Income under IFRSs		900,974	202,282	714,314
Other comprehensive income				
Re-measurement gain on actuarial valuations of employee benefits	*C*	9,017	-	-
Total comprehensive income under IFRS		909,991	202,282	714,314

6 First-time adoption of IFRS (continued)

A Property, Plant and equipment and inventories

Under SOCPA, the Company capitalized the cost of capital spare parts under inventory, which used to serve for more than one accounting year. However, under IFRS, such cost is capitalized under property, plant and equipment, and therefore the depreciation has been estimated for such cost and recognized through the retained earnings. This change resulted in a decrease in both the net book value of property, plant and equipment balances and retained earnings on the transition date

B Component change for the property, plant and equipment

Under IFRS, the property, plant and equipment should be componentized and the components' useful lives identified separately. The componentization concept was not a followed practice in Saudi Arabia. As part of the transition to IFRS, the Company has applied the concept of assets components and accounted for its impact on the useful lives, which resulted in a decrease in property, plant and equipment and decrease in retained earnings on the IFRS transition date amounting to SR 83 million (note 6.4). The net impact as of 30 September 2016 and 31 December 2016 has been adjusted accordingly.

C Employees benefits

Under IFRS, end of service benefits ("EOSB") are required to be calculated using actuarial assumptions. Historically, the Company has calculated these obligations based on the current provision. This change resulted in an increase in the EOSB liability balances on the transition date and a decrease in retained earnings.

D Board of Directors' remuneration

Under SOCPA, accepted practice was to charge the Board of Directors' remuneration in the statement of changes in equity. However, under IFRS, the Board of Directors' remuneration is charged to interim statement of income and other comprehensive income.

7 Statutory reserve

The general assembly held on 12 Rajab 1438H (corresponding to 9 April 2017) has approved the transfer of SR 306,000 from statutory reserve to retained earnings to keep the statutory reserve at 30% of the share capital in accordance with the revised regulations for the companies to maintain statutory reserve at a minimum 30% of the share capital.

8 Islamic financing

The Islamic facilities have been obtained from various local banks to meet the working capital requirements with a total facility amount of SR 1,800 million (31 December 2016: SR 1,850 million and 1 January 2016: SR 1,850 million), the utilised balance as of 30 September 2017 is SR 630 million (31 December 2016: SR 400 million and 1 January 2016: SR 600 million). These Islamic facilities carry varying financial costs in excess of SIBOR and are consistent with the terms of each facility agreement that are secured by promissory notes issued by the Company and carry charges agreed with the facilities' providers.

8 Islamic financing (continued)

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

The facility agreements contained certain covenants, which requires among other things, certain financial ratios to be maintained.

9 Dividends

On 28 Shaban 1438H (corresponding to 24 May 2017), the Board of Directors has resolved to distribute interim cash dividends amounting to SR 2.25 per share (SR 344.25 million in total) for the first half of 2017.

On 12 Rajab 1438H (corresponding to 9 April 2017), the General Assembly approved the Board of Directors' proposal to distribute cash dividends amounting to SR 2.75 per share (SR 420.75 million in total) for the second half of 2016.

On 17 Shaban 1437H (corresponding to 24 May 2016), the Board of Directors has resolved to distribute interim cash dividends amounting to SR 2.75 per share (SR 420.75 million in total) for the first half of 2016. General Assembly approved this distribution during its meeting on 12 Rajab 1438H (corresponding to 9 April 2017)

On 15 Jumada' II 1436H (corresponding 24 March 2016), the General Assembly approved the Board of Directors' proposal to distribute cash dividends amounting to SR 3 per share (SR 459 million in total) for the second half of 2015.

10 Related party transactions and balances

The following table provides the total amount of transactions that have been entered into with related parties during the three months and nine months period ended 30 September 2017 and 30 September 2016 and related parties balances as at 30 September 2017, 31 December 2016 and 1 January 2016.

			Three months period Amount of transaction		Nine months period Amount of transaction		Ending balance		
Related party	Relationship	Nature of transaction	30 September 2017	30 September 2016	30 September 2017	30 September 2016	30 September 2017	31 December 2016	1 January 2016
			SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
i) Trade receivables									
United Cement Company	Associate	Sales	-	16,043	**18,605**	69,177	-	21,096	23,971
ii) Advances to a related party									
Cement Product Industry Company Limited	Associate	Advance paid	-	-	-	-	**3,450**	3,450	3,950
iii) Trade payables									
Cement Product Industry Company Limited	Associate	Purchases of raw material	**5,754**	8,129	**17,983**	28,680	-	617	-
Wataniya Insurance Company	Affiliate	Insurance on property plant and equipment	-	-	**6,459**	7,381	**1,661**	-	17
							1,661	617	17

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the period ended 30 September 2017 are unsecured and settled in cash. There have been no guarantees provided to amounts due to related parties. However, amounts due from related parties were fully covered by bank guarantees. For the period ended 30 September 2017, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

The compensations to key executives for the period ended 30 September 2017 is SR 13.6 Million (30 September 2016: SR12.7 million).

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

11 Capital commitments

As of 30 September 2017, the capital expenditure contracted by the Company but not incurred till year end was approximately SR 25.2 million (December 31, 2016: SR 23.7 million and January 01, 2016: SR 63.7 million).

12 Segment information

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

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

13 Fair value measurement of financial instruments

As of 30 September 2017, 31 December 2016 and 01 January 2016, all of the Company's financial instruments have been carried at amortised cost and the Company does not hold any financial instruments measured at fair value .However, the carrying value of the financial assets and liabilities in the interim statement of financial position approximates to the fair value.

14 Approval of condensed interim financial statements

These condensed interim financial statements were authorized for issue and approved on 22 October 2017 G.