
NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
THE CONDENSED INTERIM FINANCIAL STATEMENTS
(UNAUDITED) AND INDEPENDENT AUDITOR'S
LIMITED REVIEW REPORT FOR THE NINE MONTHS
PERIOD ENDED SEPTEMBER 30, 2017

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S
LIMITED REVIEW REPORT FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017

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AlKharashi & Co.

Certified Accountants And Auditors

Independent Auditor's Report on Review of Interim Financial Statements

October 29, 2017

To: The Shareholders of Najran Cement Company
A Saudi Joint Stock Company

Scope:

We have reviewed the accompanying condensed interim financial statements of Najran Cement Company - A Saudi Joint Stock Company ("the Company") comprising the statement of financial position as at September 30, 2017 and the related statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the nine months period ended September 30, 2017 and the attached notes (1) through (24) which form an integral part of the financial statements.

Management's responsibility for the condensed interim financial statements:

Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with the International Accounting Standard 34; Interim Financial Reporting endorsed in the Kingdom of Saudi Arabia, our responsibility is to express a conclusion on their condensed interim financial statements based on our review.

Auditors' responsibility:

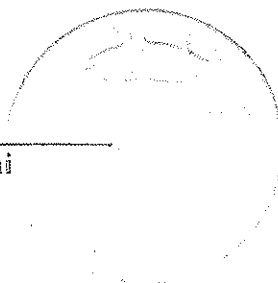
We conducted our review in accordance with the International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by Independent Auditor of the Entity" that are endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries primarily 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 an audit opinion.

Conclusion:

Based on our limited review nothing has come to our attention that causes us to believe that the accompanying September 30, 2017 condensed interim financial statements are not prepared, in all materials aspects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

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NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2017 (UN-AUDITED)
(Expressed in "000" Saudi Riyals)

		September 30, 2017 (Un-audited)	December 31, 2016 (Audited) (IFRS restated)	As at January 01, 2016 (IFRS restated)
	NOTES			
ASSETS				
NON- CURRENT ASSETS				
Property, plant and equipment	6	2,252,068	2,321,748	2,430,434
		2,252,068	2,321,748	2,430,434
CURRENT ASSETS:				
Inventories	7	440,201	423,737	361,902
Trade receivables	8	50,249	54,746	94,966
Prepayments and other receivables	9	17,185	18,707	21,890
Cash and bank balances	10	41,704	48,812	162,061
		549,339	546,002	640,819
TOTAL ASSETS		2,801,407	2,867,750	3,071,253
EQUITY AND LIABILITIES:				
EQUITY:				
Share capital	1	1,700,000	1,700,000	1,700,000
Statutory reserve		103,059	103,059	90,588
Retained earnings		247,397	257,464	333,193
TOTAL EQUITY		2,050,456	2,060,523	2,123,781
LIABILITIES:				
NON-CURRENT LIABILITIES:				
Loans and borrowings	11	525,000	600,000	700,000
Provision for employees' terminal benefits	12	19,757	17,415	14,808
		544,757	617,415	714,808
CURRENT LIABILITIES:				
Provision for zakat	13	32,493	24,993	22,154
Current portion of long term loans	11	125,000	100,000	100,000
Trade and other payables	14	48,701	64,819	110,510
		206,194	189,812	232,664
TOTAL LIABILITIES		750,951	807,227	947,472
TOTAL EQUITY AND LIABILITIES		2,801,407	2,867,750	3,071,253

The accompanying notes from 1 to 24 form an integral part of these Condensed Interim Financial Statements.

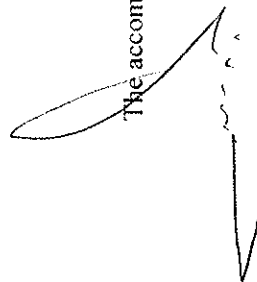
NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017 (UNAUDITED)
(Expressed in "000" Saudi Riyals)

	NOTES	For the three months period ended		For the nine months period ended	
		September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
		Un-audited	Un-audited - (IFRS restated)	Unaudited	Un-audited - (IFRS restated)
Revenue - net of trade incentives	15	59,111	119,687	248,502	506,358
Cost of revenue	16	(59,895)	(90,063)	(208,410)	(333,675)
Gross (loss) / profit		(784)	29,624	40,092	172,683
Selling and distribution expense		(1,608)	(1,053)	(5,362)	(8,602)
General and administrative expense		(7,181)	(7,631)	(22,997)	(25,918)
Operating (loss) / profit		(9,573)	20,940	11,733	138,163
Finance cost		(5,229)	(7,842)	(17,300)	(21,437)
Other income		242	7,025	3,000	7,602
Net (loss) / profit for the period before zakat		(14,560)	20,123	(2,567)	124,328
Zakat expense		(2,500)	(4,500)	(7,500)	(13,500)
Net (Loss) / profit for the period after zakat		(17,060)	15,623	(10,067)	110,828
OTHER COMPREHENSIVE INCOME					
Other comprehensive income for the period		-	-	-	-
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD		(17,060)	15,623	(10,067)	110,828
Earnings per share (SAR), based on (loss) / profit for the period:					
- Basic		-0,1	0,09	-0,06	0,65
- Diluted		-0,1	0,09	-0,06	0,65
Weighted average number of ordinary shares (No: '000')		170,000	170,000	170,000	170,000

The accompanying notes from 1 to 24 form an integral part of these Condensed Interim Financial Statements.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017 (UNAUDITED)
(Expressed in "000" Saudi Riyals)

	CAPITAL	STATUTORY RESERVE	RETAINED EARNINGS	TOTAL
Balance at January 01, 2016 (SOCPA)	1,700,000	90,588	337,772	2,128,360
IFRS convergence adjustment	-	-	(4,579)	(4,579)
As at January 01, 2016 - As per IFRS	1,700,000	90,588	333,193	2,123,781
Net profit for the year	-	-	124,710	124,710
Transfer to statutory reserve	-	12,471	(12,471)	-
Dividends	-	-	(187,000)	(187,000)
Directors' remuneration paid	-	-	(2,000)	(2,000)
IFRS convergence adjustment	-	-	1,032	1,032
Balance as at December 31, 2016 (IFRS)	<u>1,700,000</u>	<u>103,059</u>	<u>257,464</u>	<u>2,060,523</u>
Net loss for the period	-	-	(10,067)	(10,067)
Transfer to statutory reserve	-	-	-	-
Balance as at September 30, 2017 (IFRS)	<u>1,700,000</u>	<u>103,059</u>	<u>247,397</u>	<u>2,050,456</u>



The accompanying notes from 1 to 24 form an integral part of these Condensed Interim Financial Statements.



NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017 (UNAUDITED)
(Expressed in "000" Saudi Riyals)

	For the nine months period ended	
	September 30,	September 30,
	2017	2016
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
(Loss) / profit before zakat	(2,567)	124,328
Adjustments to reconcile net profit for the year to net cash generated from operational activities:		
Depreciation	82,930	87,394
(Gain) / loss on sale of property, plant and equipment	(347)	14
Provision for slow moving and shortage of inventory	-	6,000
Refundable custom fees	-	1,213
Finance cost	17,300	21,437
Provision for employees' terminal benefits	3,556	3,289
Prior year settlement on Zakat provision	-	(4,995)
Working Capital Changes		
Trade receivables	4,497	35,999
Inventories	(16,464)	(51,138)
Prepayments and other receivables	1,522	(3,752)
Trade and other payables	(16,148)	(31,124)
Cash generated from operations:	<u>74,279</u>	<u>188,665</u>
Finance cost paid	(14,962)	(24,060)
End of service benefits paid	(1,214)	(1,166)
Net cash generated from operating activities	<u>58,103</u>	<u>163,439</u>
Cash flow from investing activities:		
Purchase of property, plant and equipment	(14,247)	(7,099)
Movements in spare parts held for capital use (strategic)	179	521
Proceeds from sale of property, plant and equipment	3,013	(1,077)
Payments against projects	(1,847)	212
Net cash used in investing activities	<u>(12,902)</u>	<u>(7,443)</u>
Cash flow from financing activities:		
Repayment of long term debts	(50,000)	(75,000)
Dividends paid	(309)	(186,870)
Board of directors' remuneration paid	(2,000)	(2,000)
Net cash used in financing activities	<u>(52,309)</u>	<u>(263,870)</u>
Decrease in cash and cash equivalents	(7,108)	(107,874)
Cash and cash equivalents at the beginning of the period	<u>48,812</u>	<u>162,061</u>
Cash and cash equivalents at the end of the period	<u>41,704</u>	<u>54,187</u>

The accompanying notes from 1 to 24 form an integral part of these Condensed Interim Financial Statements.

**NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017
(Expressed in '000 Saudi Riyals)**

1. CORPORATE INFORMATION

Najran Cement Company ("the Company") is a Saudi Joint Stock Company which was registered on Ramadan 5, 1426 (corresponding to October 9, 2005) under Commercial Registration number 5950010479. On Shaaban 10, 1437 (corresponding to May 17, 2016), the Company was granted an Industrial License, number 2446. The principal activities of the Company are manufacturing of ordinary Portland cement and cement resistant to salts.

The share capital of the Company is SAR 1,700,000,000 divided into 170 million shares of SAR ten per share.

The Company's financial year starts on January 1 each gregorian year and ends on December 31 of the same year.

2. STATEMENT OF COMPLIANCE

These Condensed Interim Financial Statements ("Financial Statements") have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA"). These are the Company's first International Financial Reporting Standard (IFRS Standard) Condensed Interim Financial Statements for part of the period covered by the first IFRS annual Financial Statements and IFRS 1 First-time Adoption of International Financial Reporting Standards, as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, has been applied. These Financial Statements do not include all of information required for full set of annual Financial Statements prepared under IFRS.

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

3. FUNCTIONAL AND PRESENTATION CURRENCY

These Financial Statements are presented in Saudi Riyal ("SAR"), which is the Company's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

These financial statements have been prepared on a going concern basis under historical cost convention. These financial statements are presented in Saudi Riyals, which is the Company's presentation as well as functional currency. All amounts have been rounded to the nearest thousand (SAR 000), unless otherwise indicated.

4.2 Use of estimation and judgments

The preparation of the accompanying financial statements, in conformity with IFRS as endorsed in Kingdom of Saudi Arabia and other standards pronouncements issued by SOCPA, requires the use of judgements, estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well disclosure of certain contingent assets and liabilities as at the date of the condensed statements of financial position date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of revision and future years if the revision affects both current and future years.

The significant areas of estimation uncertainty and critical adjustments in applying accounting policies that have most significant effect on the amounts recognized in the accompanying financial statements are as follows:

- Provisions for doubtful debts and slow-moving inventory;
- Estimated useful lives and residual values of property, plant and equipment;
- Provisions and accruals.

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

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

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

IFRS 9 includes three categories of major classes of financial assets: financial assets measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. This standard excludes current IAS 39 classes of held to maturity, loan and receivables and available for sale.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- **IFRS 15** –‘Revenue from Contracts with Customers’ is effective for periods commencing 1 January 2018. IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. IFRS 15 may have an impact on recognition and related disclosures. Revenue is recognized in the performance of the obligation, i.e. when control over the goods or services attributable to performance of a particular obligation is transferred to the customer. Where more restrictive guidance has been added in IFRS 15 to deal with the specific scenarios. In addition, this IFRS 15 requires extensive disclosures.
- **IFRS 16** –‘Leases’ (effective for annual years beginning on or after 1 January 2019). IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose whether to:

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

Transition

As a lessee, the Company can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

As a lessor, the Company is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017
(Expressed in '000 Saudi Riyals)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4.4 Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The company classifies all other liabilities as non-current.

4.5 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017
(Expressed in '000 Saudi Riyals)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Fair Value Measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Methodologies for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis using level 1 or level 2 indicators, the company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

4.6 Property, plant and equipment

Property, plant and equipment, except land which is not depreciated, are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Expenditure on repairs and maintenance is expensed, while expenditure for improvement is capitalized. Depreciation is provided over the estimated useful life lives of the applicable assets using the declining balance method and appropriate residual values. Company reviews the appropriateness of the rate of depreciation / amortization, useful life and residual values used for recording the depreciation on annual basis.

The estimated annual rates of depreciation of the principal assets are as follows:

	<u>Percentage</u>
Buildings	4%
General plant, machinery and equipment	5%
Quarry machinery and equipment	15%
Vehicles	25%
Furniture, fixtures and office equipment	10% - 12.5%
Computers and related software	15%
Strategic spare parts	5%

Capital work in progress includes all costs (including advance payments) which have not been reclassified as one of the asset classes noted above. Capital work in progress is re-classified as property, plant and equipment when the relevant performance tests have been satisfactorily completed. No depreciation is provided for in respect of capital work in progress.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Property, plant and equipment (Continued)

Impairment of property, plant and equipment

At each Financial Statements date, the Company reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount, and the impairment loss is recognized as an expense immediately in statement of profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of profit or loss and other comprehensive income.

4.7 Inventories

Inventories are measured at the lower of cost or net realizable value. Cost is measured using weighted average method. Spare parts and other consumables are charged to expenses on purchase. Significant spare parts having useful life of more than one year shall be capitalized as part of the property, plant & equipment to which they belong. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

4.8 Accounts receivable

Accounts receivables are stated at original invoice amount less provision for doubtful debts, if any. Provision for doubtful debts / receivables is based on the management's assessment of customers' outstanding balances and creditworthiness. Bad debts are written-off when identified.

The company has a policy of requiring certain customers to pay in advance of receipt of goods. Where advances from customers have been received but goods are not delivered at the reporting period, it is classified as advances from customers and included in current liability.

Where the company is entitled to any third-party claim, such as clinker subsidies or custom duties refundable, the agreed amount is included in other receivables and other income, net of any provisions.

**NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017
(Expressed in '000 Saudi Riyals)**

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Cash and Cash Equivalents

Cash and cash equivalents in the statement of cash flows include cash in hand and in transit, balances with banks on current, deposit and saving accounts, and short-term highly liquid investments subject to insignificant risk of changes in values, which fall due in no more than three months and no restriction exists on their monetization on account of the Company.

4.10 Offsetting

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

4.11 Zakat and Foreign Income Tax

Zakat provision is provided for in accordance with General Authority of Zakat and Income Tax (GAZT) regulations. Submission and disclosure of provisions in the financial statements shall be according to the Zakat and tax rules.

4.12 Provision for employees' end of service benefits

End of Service indemnities are calculated according to the Saudi Labor Law. Further,

- Undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amounts already paid are recognized for short term benefits.
- Expected cost of accumulating paid absences are measured as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.
- Long-term benefits are measured at the net liability / (asset) with adjustments determined using actuarial methods. The actuarial valuation is obtained at the end of every reporting period by engaging actuarial specialists.

4.13 Trade and accounts payables

Accounts Payable are measured at their fair value, net of trade discounts. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Provisions and other liabilities

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

4.15 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the issued share capital. This reserve is not available for dividend distribution, however, is available for issuance of bonus shares upon obtaining appropriate approvals.

4.16 Contingent assets and liabilities

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

4.17 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and is shown net of sales returns and discounts. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns and trade discounts.

4.18 Foreign currency Translations

These financial statements are presented in Saudi Arabian Riyals (SAR), which is the Company's functional currency. Transactions in foreign currencies are recorded using the exchange rates prevailing at the time of transaction. Foreign exchange gains or losses resulting from settlement of the transaction and translation at the period end are recorded according to exchange rates prevailing on that date and are recognized in the profit or loss account.

4.19 Cost of revenue

The cost of revenue is calculated on the basis of the cost of production of sold units charged with all actual direct costs, which shall include the cost of materials, production supplies, cost of labor, and amortizations of direct fixed assets, in addition to their share of indirect expenses.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 Expenses

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

4.21 Earnings per share

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

4.22 Dividends and appropriations

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

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

	As at 1 January, 2016 (SOCPA)	Effect of transition to IFRS	Reclassification	As at 1 January, 2016 (IFRS)
<u>ASSETS</u>				
Non-current assets				
Property, plant and equipment	2,430,434	-	-	2,430,434
Intangible assets	4,579	(4,579)	-	-
Total non-current assets	2,435,013	(4,579)	-	2,430,434
Current assets				
Inventories	361,902	-	-	361,902
Trade receivables	92,406	-	2,560	94,966
Prepayments and other receivables	21,890	-	-	21,890
Cash and bank balances	162,061	-	-	162,061
Total current assets	638,259	-	2,560	640,819
Total assets	3,073,272	(4,579)	2,560	3,071,253
<u>EQUITY AND LIABILITIES</u>				
<u>EQUITY</u>				
Share capital	1,700,000	-	-	1,700,000
Statutory reserve	90,588	-	-	90,588
Retained earnings	337,772	(4,579)	-	333,193
Total equity	2,128,360	(4,579)	-	2,123,781
<u>NON-CURRENT LIABILITIES:</u>				
Loans and borrowings	700,000	-	-	700,000
Provision for employees' terminal benefits	14,808	-	-	14,808
Total non-current liabilities	714,808	-	-	714,808
<u>CURRENT LIABILITIES:</u>				
Provision for zakat	22,154	-	-	22,154
Current portion of long term loans	100,000	-	-	100,000
Trade and other payables	107,950	-	2,560	110,510
Total current liabilities	230,104	-	2,560	232,664
TOTAL LIABILITIES	944,912	-	2,560	947,472
TOTAL EQUITY AND LIABILITIES	3,073,272	(4,579)	2,560	3,071,253

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5. RECONCILIATION OF EQUITY AS AT 30 SEPTEMBER 2016 (CONTINUED)

	As at 30 September, 2016 <u>(SOCPA)</u>	Effect of transition to <u>IFRS</u>	Reclassification	As at 30 September, 2016 <u>(IFRS)</u>
<u>ASSETS</u>				
Non-current assets				
Property, plant and equipment	2,350,468	-	-	2,350,468
Intangible assets	3,805	(3,805)	-	-
Total non-current assets	<u>2,354,273</u>	<u>(3,805)</u>	<u>-</u>	<u>2,350,468</u>
Current assets				
Inventories	407,040	-	-	407,040
Trade receivables	56,407	-	1,517	57,924
Prepayments and other receivables	24,430	-	-	24,430
Cash and bank balances	54,187	-	-	54,187
Total current assets	<u>542,064</u>	<u>-</u>	<u>1,517</u>	<u>543,581</u>
Total assets	<u>2,896,337</u>	<u>(3,805)</u>	<u>1,517</u>	<u>2,894,049</u>
<u>EQUITY AND LIABILITIES</u>				
<u>EQUITY</u>				
Share capital	1,700,000	-	-	1,700,000
Statutory reserve	101,593	-	-	101,593
Retained earnings	249,821	(3,805)	-	246,016
Total equity	<u>2,051,414</u>	<u>(3,805)</u>	<u>-</u>	<u>2,047,609</u>
<u>NON-CURRENT LIABILITIES:</u>				
Loans and borrowings	625,000	-	-	625,000
Provision for employees' terminal benefits	16,931	-	-	16,931
Total non-current liabilities	<u>641,931</u>	<u>-</u>	<u>-</u>	<u>641,931</u>
<u>CURRENT LIABILITIES:</u>				
Provision for zakat	30,659	-	-	30,659
Current portion of long term loans	100,000	-	-	100,000
Trade and other payables	72,333	-	1,517	73,850
Total current liabilities	<u>202,992</u>	<u>-</u>	<u>1,517</u>	<u>204,509</u>
TOTAL LIABILITIES	<u>844,923</u>	<u>-</u>	<u>1,517</u>	<u>846,440</u>
TOTAL EQUITY AND LIABILITIES	<u>2,896,337</u>	<u>(3,805)</u>	<u>1,517</u>	<u>2,894,049</u>

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5. RECONCILIATION OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016 (CONTINUED)

	For the three months period ended		For the nine months period ended	
	30 September, 2016 (SOCPA)	Effect of transition to IFRS	30 September, 2016 (SOCPA)	Effect of transition to IFRS
Revenue	119,687	-	506,358	-
Cost of revenue	(90,063)	-	(333,675)	-
Gross profit	29,624	-	172,683	-
Selling and distribution expense	(1,053)	-	(8,602)	-
General and administrative expense	(7,631)	-	(25,918)	-
Operating profit	20,940	-	138,163	-
Other income	7,025	-	7,602	-
Finance cost	(8,101)	259	(22,211)	774
Net profit for the period before zakat	19,864	259	123,554	774
Zakat expense	(4,500)	-	(13,500)	-
Net profit for the period after zakat	15,364	259	110,054	774
Other comprehensive income	-	-	-	-
Total comprehensive income	15,364	259	110,054	774

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6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant, quarry, machinery and other equipment	Vehicles	Furniture and fixtures, and office equipment	Computers	Assets held for future use (strategic)	Capital work in progress	Total
COST:									
At January 1, 2017	2,563	1,162,563	1,839,931	22,497	13,101	11,634	40,939	1,082	3,094,310
Additions during the period	-	-	13,818	329	-	100	2,272	1,847	18,366
Disposals during the period	-	-	-	(852)	-	(10)	(2,563)	-	(3,425)
Adjustments during the period	-	-	-	-	-	-	(2,450)	-	(2,450)
At September 30, 2017 (Un-audited)	2,563	1,162,563	1,853,749	21,974	13,101	11,724	38,198	2,929	3,106,801
ACCUMULATED DEPRECIATION:									
At January 1, 2017	-	244,254	498,177	15,898	7,438	6,027	768	-	772,562
Charge for the period	-	27,474	53,115	1,262	444	635	-	-	82,930
Disposals during the period	-	-	-	(629)	-	(2)	(128)	-	(759)
At September 30, 2017 (Un-audited)	-	271,728	551,292	16,531	7,882	6,660	640	-	854,733
NET BOOK VALUE:									
At September 30, 2017 (Un-audited)	2,563	890,835	1,302,457	5,443	5,219	5,064	37,558	2,929	2,252,068
At December 31, 2016 (Audited)	2,563	918,309	1,341,754	6,599	5,663	5,607	40,171	1,082	2,321,748

The company's property, plant and equipment, except the headquarters building at Najran are constructed on two separate leased lands at Sultana and Aakfah areas in Najran region for periods of 30 and 25 years respectively and are renewable at the option of the Company.

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7. INVENTORIES

	SEPTEMBER 30, 2017 (Un-Audited)	DECEMBER 31, 2016 (Audited)
Raw materials, fuel and packing materials	18,835	31,597
Goods in process	293,450	266,280
Finished goods	7,517	8,923
Stock in trade	319,802	306,800
Consumables spare parts	124,399	120,937
Less: provision for slow moving items and clinker stock handling	(4,000)	(4,000)
Net inventories	440,201	423,737

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

	SEPTEMBER 30, 2017 (Un-Audited)	DECEMBER 31, 2016 (Audited)
Balance at the beginning of the period / year	4,000	2,000
Add: provided during the period / year	-	2,000
Balance at the end of the period / year	4,000	4,000

Strategic spares held for future capital use amounting to SAR 37,558 (2016: SAR 40,171) are classified within property, plant and equipment.

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8. TRADE RECEIVABLES

	SEPTEMBER 30, 2017 (Un-Audited)	DECEMBER 31, 2016 (Audited)
Trade account receivables	52,405	58,198
Less: provision for doubtful debts	(2,156)	(2,156)
Less: area incentives accrual	-	(1,296)
	<u>50,249</u>	<u>54,746</u>

Movement in the provision for doubtful debts is as follows:

	SEPTEMBER 30, 2017 (Un-Audited)	DECEMBER 31, 2016 (Audited)
Balance at the beginning of the period / year	2,156	1,370
Add: provided during the period / year	-	786
Balance at the end of the period / year	<u>2,156</u>	<u>2,156</u>

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9. PREPAYMENTS AND OTHER RECEIVABLES

	SEPTEMBER 30, 2017 (Un-Audited)	DECEMBER 31, 2016 (Audited)
Advances to suppliers	6,330	9,447
Prepaid expenses	2,681	3,965
Refundable custom duties - net	2,672	2,721
Others	5,502	2,574
	17,185	18,707

10. CASH AND BANK BALANCES

	SEPTEMBER 30, 2017 (Un-Audited)	DECEMBER 31, 2016 (Audited)
Cash at banks	41,704	48,812
	41,704	48,812

Cash at bank includes unclaimed dividends of SR1,041 (2016: 1,350).

11. LOANS AND BORROWINGS

	SEPTEMBER 30, 2017 (Un-Audited)	DECEMBER 31, 2016 (Audited)
Balance at January 1	700,000	800,000
Less: repaid during the period / year	(50,000)	(100,000)
Balance at the period / year end	650,000	700,000

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11. LOANS AND BORROWINGS (CONTINUED)

	SEPTEMBER 30, 2017 (Un-Audited)	DECEMBER 31, 2016 (Audited)
Shown as:		
Current portion of long term financing	125,000	100,000
Long-term portion	525,000	600,000
	650,000	700,000
Amounts repayable:		
Within one year	125,000	100,000
Within one to two years	125,000	200,000
Within two to five years	400,000	400,000
Total	650,000	700,000

Commercial Banks Facilities (Tawarroq):

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

- * The specific facility against the third production line for SAR 500,000 has a profit rate of SIBOR plus 1.75% to be serviced on a quarterly basis, repayable in twenty quarterly instalments which will end on June 30, 2018. The amount outstanding as at September 30, 2017 was SAR100,000 (2016: SAR 200,000)
- * The specific facility to finance the waste heat recovery project for SAR 150,000 at a profit rate of SIBOR plus 1.75% to be repaid on equal quarterly basis instalments amounts to 25,000 starting on September 30, 2018 and ending on 2019.

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

- * The facilities are secured by, inter alia, four order notes amounting to SAR 330,550 and assignment of the insurance policy for the third production line.
- * All of the above agreements contain conditions to maintain certain financial ratios and relating to the payment of dividends.

Sukuk:

In June 2015, the Company privately placed an unrated but registered Sukuk of SAR 400,000 for five years maturing in June 2020, with a profit rate of 1.4% plus three month SIBOR, payable quarterly. The proceeds were applied towards part settlement of the existing indebtedness of the Company.

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12. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS

	SEPTEMBER 30, 2017 (Un-Audited)	DECEMBER 31, 2016 (Audited)
Opening balance	17,415	14,808
Provision booked during the period / year	3,556	4,184
Payment made during the period / year	(1,214)	(1,577)
Closing balance	<u>19,757</u>	<u>17,415</u>

13. PROVISION FOR ZAKAT

	SEPTEMBER 30, 2017 (Un-Audited)	DECEMBER 31, 2016 (Audited)
Opening balance	24,993	22,154
Provision booked during the period / year	7,500	8,505
Payment made during the period / year	-	(5,666)
	<u>32,493</u>	<u>24,993</u>

14. TRADE AND OTHER PAYABLES

	SEPTEMBER 30, 2017 (Un-Audited)	DECEMBER 31, 2016 (Audited)
Trade payables	27,540	29,760
Due to contractors	-	3,385
Accrued expenses	6,769	3,477
Raw material royalties payable	7,377	16,518
Dividends payable	1,041	1,350
Advances from customers	5,567	8,947
Other payables	407	1,382
	<u>48,701</u>	<u>64,819</u>

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15. REVENUE

	SEPTEMBER 30,	
	2017	2016
	(Un-Audited)	
Gross revenue	308,392	566,757
Less: area incentives	(59,890)	(60,399)
Net revenue	<u>248,502</u>	<u>506,358</u>

16. COST OF REVENUE

	SEPTEMBER 30,	
	2017	2016
	(Un-Audited)	
Raw material consumed	28,889	84,675
Salaries and related benefits	43,581	48,269
Operation and management expenses	9,076	35,897
Fuels	41,373	67,463
Repairs and maintenance	21,274	37,292
Insurance	3,510	6,350
Depreciation	81,203	85,641
Other expenses	5,798	6,732
Provisions against slow moving and others	-	9,081
	<u>234,704</u>	<u>381,400</u>
Changes in inventories levels	<u>(26,294)</u>	<u>(47,725)</u>
Total	<u>208,410</u>	<u>333,675</u>

The cost of revenues includes indirect cost which relates to the non-operating part of the Company's production line(s) due to the non-availability of fuel amounts to SAR 18,787 (2016 : SAR 13,084) for the quarter while for nine months it amounts to SAR 46,403 (2016: SAR 28,614). Earlier the company was taking into account certain provisions against slow moving spares and clinker stocks handling losses which it believes have been sufficiently provided or taken care of.

17. CONTINGENT LIABILITIES

As of September 30, 2017, the Company had commitments in the form of letters of credit and bills for collection amounting to SAR 1,520 (2016: SAR 454), letters of guarantee amounting to SAR nil (2016: SAR 47) and performance bonds amounting to SAR nil (2016: SAR 2,304).

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18. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions with board of directors and its committees, chief executive, and key executives is as follows:

	SEPTEMBER 30,	
	2017	2016
	(Un-Audited)	
Salaries	2,671	2,875
Allowances	751	892
Annual and periodic remuneration	2,133	2,348
End of service benefits	217	219
Total	<u>5,772</u>	<u>6,334</u>

19. 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.

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20. 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 credit risk.

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.

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.

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. The amounts shown in the statement of financial position are shown as net realizable values and are estimated by management based on their experience. Management does not believe that the company is substantially exposed to credit risk.

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

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

Age of trade receivables that are past due but not impaired as of September 30, 2017 is as follows:

	SEPTEMBER 30, 2017 (Un-Audited)	DECEMBER 31, 2016 (Audited)
1-90 days	24,078	37,661
91-180 days	14,206	17,231
181-360 days	8,584	1,150
Over 360 days	5,537	2,156
Total	<u>52,405</u>	<u>58,198</u>

Age of impaired trade receivables as of September 30, 2017 is as follows:

	SEPTEMBER 30, 2017 (Un-Audited)	31 DECEMBER 2016 (Audited)
1-2 years	3,303	-
More than 2 years	78	-
More than 3 years	2,156	2,156
Total	<u>5,537</u>	<u>2,156</u>

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

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management monitors the maturity profile of its financial assets and liabilities to ensure that adequate liquidity is maintained.

Exposure to liquidity risk

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

	On Demand	Less than 3 months	3-12 months	1-5 years	Total
January 01, 2017	-	-	100,000	600,000	700,000
September 30, 2017	-	-	125,000	525,000	650,000

21. IMPACT OF FIRST TIME ADOPTION ON RETAINED EARNINGS

	September 30, 2016 (Un-Audited)
Retained earnings as per SOCPA as on September 30, 2016	249,821
Impacts of adjusting entries from Opening Balance Sheet - IFRS adjustments	
De-recognition of Intangible asset	(4,579)
Add: IFRS adjustment	
Reversal of amortization	774
Retained Earnings as per IFRS as on September 30, 2016	246,016

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

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22. SUBSEQUENT EVENTS

In the opinion of the management, there have been no significant subsequent events since the period end that would have a material impact on the financial position of the Company as reflected in these financial statements.

23. COMPARATIVE FIGURES

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

24. BOARD OF DIRECTORS APPROVAL

These financial statements were approved by the Board of Directors of the Company on October 29, 2017.