NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
THE FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S
REPORT FOR THE YEAR ENDED DECEMBER 31, 2018

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
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AlKharashi & Co.
Certified Accountants And Auditors

February 27, 2019

Report on the Audit of the Financial Statements

To the **Shareholders of Najran Cement Company**
(A Saudi Joint Stock Company)

Opinion:
We have audited the financial statements of **Najran Cement Company** (the Company), which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

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

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

Key audit matters	How the matter was addressed in our audit
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 and the amount of revenue can be measured reliably. Revenue is recorded as per the requirements of IFRS 15. The revenue recognition is considered a key audit matter.	Our procedures included examining the management reports for sales and discounts and performing the below procedures: • Obtain statement of sales summaries and performed test of controls on sales journals • Obtained the customer wise sales reports and performed arithmetic and analytical reconciliations • Obtain approvals for sales incentives and discounts. • Performed controls testing on the Company's ERP and performed certain tests to ensure that the revenue recognition is in compliance with IFRS15.

Provision for doubtful debts:	
Debts include amounts due from customers for goods sold or services rendered in the ordinary course of business. Accounts receivable are recognized at the original invoice amount less any provision for doubtful debts. As per IFRS 9, an expected loss provision model has to be developed in order to record provision against debtors. The inclusion of the provision for significant provisions under IFRS 9 is considered a key audit matter.	Our procedures included examining the management's estimate of the provision of doubtful debts on the following: • Obtained the model built for compliance with IFRS 9 and analyse the rational of the model for recording of expected credit loss (ECL) provision • Obtaining the credentials of the debtors for existing balances including the aging data. • Obtain letters from legal consultants of the company • Meeting with management and third party expert to understand the ECL model and the calculations thereof.

Other information included in the Company's annual report for the year ended 31 December 2018

Other information consists of other information included in the Company's annual report for the year ended 31 December 2018, other than the financial statements and the auditors' report thereon. We obtained the report of Board of Directors, prior to the date of our Auditors' report and we expect to obtain the remaining section of the 2018 Annual Report after the date of this auditor's report. The Company's management is responsible for the other information mentioned in its annual report .

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

For Al-Kharashi Co.

Abdullah S. Almsnad
License No. (456)

Lic: 536
Certified Accountants & Auditors
Al-Kharashi Co

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018
(Expressed in '000' Saudi Riyals)

	NOTES	December 31, 2018	2017
ASSETS			
NON- CURRENT ASSETS			
Property, plant and equipment	5	2,134,071	2,222,185
Intangible assets	6	4,080	3,035
		2,138,151	2,225,220
CURRENT ASSETS:			
Store, spare parts and loose tools	7	115,717	121,925
Stock in trade	8	267,144	305,585
Trade and related party receivables	9	30,580	49,598
Prepayments and other receivables	10	13,863	15,810
Cash and cash equivalents	11	12,024	13,058
		439,328	505,976
TOTAL ASSETS		**2,577,479**	**2,731,196**
EQUITY AND LIABILITIES:			
EQUITY:			
Share capital	1	1,700,000	1,700,000
Statutory reserve	4.17	103,059	103,059
Retained earnings		130,569	225,824
TOTAL EQUITY		1,933,628	2,028,883
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Provision for employees' terminal benefits	12	25,629	25,366
Long term financing	13	490,000	500,000
		515,629	525,366
CURRENT LIABILTIES:			
Provision for zakat	14	20,486	24,343
Current portion of long term financing	13	61,170	100,718
Advances from customers		4,275	5,260
Trade payables		25,727	28,092
Accrued and other payables	15	16,564	18,534
		128,222	176,947
TOTAL LIABILITIES		643,851	702,313
TOTAL EQUITY AND LIABILITIES		**2,577,479**	**2,731,196**

The accompanying notes from 1 to 27 form an integral part of these Financial Statements.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in '000' Saudi Riyals)

	NOTES	December 31, 2018	December 31, 2017
Turnover - Gross	16	387,200	431,212
Less: rebates and discounts		(108,787)	(84,968)
Turnover - Net		278,413	346,244
Cost of revenue	17	(292,366)	(299,325)
Gross (loss) / profit		(13,953)	46,919
Selling and distribution expense	18	(5,695)	(7,039)
General and administrative expense	19	(29,568)	(31,985)
Operating (loss) / profit for the year		(49,216)	7,895
Finance cost	20	(26,893)	(23,605)
Other income		16	5,150
Net (loss) for the year before zakat		(76,093)	(10,560)
Zakat expense	14	(7,407)	(11,300)
Net (loss) for the year after zakat		**(83,500)**	**(21,860)**
Other Comprehensive Income / (loss)			
Items that will not be reclassifed to profit or loss			
Re-measurements of employee benefit liability	12	1,893	(1,211)
Other Comprehensive Income / (loss)		**1,893**	(1,211)
Total Comprehensive (loss) for the year		**(81,607)**	**(23,071)**
Basic earnings per share (SAR)			
Net (loss) for the year		**(0.49)**	**(0.13)**
Total comprehensive (loss) for the year		**(0.48)**	**(0.14)**
Weighted average number of ordinary shares (No: '000')		**170,000**	**170,000**

The accompanying notes from 1 to 27 form an integral part of these Financial Statements.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in '000' Saudi Riyals)

	Capital	Statutory Reserve	Retained Earnings	Total
As at January 01, 2017	1,700,000	103,059	253,770	2,056,829
Software licenses - Prior period adjustment	-	-	(1,875)	(1,875)
Net (loss) for the year	-	-	(21,860)	(21,860)
Other comprehensive (loss) for the year	-	-	(1,211)	(1,211)
Directors' remuneration	-	-	(3,000)	(3,000)
Balance as at December 31, 2017	**1,700,000**	**103,059**	**225,824**	**2,028,883**
Net (loss) for the year	-	-	(83,500)	(83,500)
Other comprehensive income for the year	-	-	1,893	1,893
Adjustment for IFRS-9 adoption	-	-	(10,698)	(10,698)
Directors' remuneration	-	-	(2,950)	(2,950)
Balance as at December 31, 2018	**1,700,000**	**103,059**	**130,569**	**1,933,628**

The accompanying notes from 1 to 27 form an integral part of these Financial Statements.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in '000' Saudi Riyals)

	NOTES	December 31, 2018	December 31, 2017
Cash flows from operating activities:			
Net (loss) before zakat		(76,093)	(10,560)
Adjustments to reconcile net loss for the year to net cash generated from operational activities:			
Depreciation	5	92,731	110,504
Depreciation adjustment for spare parts held for capital use		-	(640)
Amortization	6	185	516
Loss / (gain) on sale of property, plant and equipment		343	(348)
Provision for potential claims		1,404	937
Write offs during the year		109	-
Provision for bad debts		126	-
Provision for bad debts written back		-	(1,210)
Finance cost		26,893	23,605
Provision for employees' terminal benefits		4,750	4,495
Operating cash flow before working capital changes		**50,448**	**127,299**
Changes in operating assets and liabilities:			
Trade and related party receivables		7,896	7,654
Store, spare parts and loose tools		6,208	(4,988)
Stock in trade		38,443	1,213
Prepayments and other receivables		1,947	3,867
Advances from customers		(985)	(1,592)
Trade payables		(2,364)	(1,668)
Accrued and other payables		(2,996)	(14,485)
Cash generated from operations:		**98,597**	**117,300**
Zakat paid		(11,264)	(11,950)
Finance charges paid		(26,441)	(23,842)
End of service benefits paid		(2,594)	(1,449)
Net cash generated from operating activities		**58,298**	**80,059**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(2,434)	(14,928)
Purchase of intangible assets		(1,230)	(170)
Movements in spare parts held for capital use (strategic)		(453)	454
Payment to contractors (Capital work in progress)		(2,247)	(1,873)
Proceeds from sale of property, plant and equipment		65	3,013
Net cash used in investing activities		**(6,299)**	**(13,504)**
Cash flows from financing activities:			
Repayment of long term debts		(50,000)	(100,000)
Dividends paid		(33)	(309)
Board of directors' remuneration paid		(3,000)	(2,000)
Net cash used in financing activities		**(53,033)**	**(102,309)**
Decrease in cash and cash equivalents		(1,034)	(35,754)
Cash and cash equivalents at the beginning of the year		13,058	48,812
Cash and cash equivalents at the end of the year	11	**12,024**	**13,058**

The accompanying notes from 1 to 27 form an integral part of these Financial Statements.

1. CORPORATE INFORMATION

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

The share capital of the Company is SAR 1,700,000,000 divided into 170 million shares of SAR 10 per share.

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

2. STATEMENT OF COMPLIANCE

These Financial Statements have been prepared in accordance with the approved accounting standards as applicable in Kingdom of Saudi Arabia. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified by SOCPA and are effective since 1st January 2017 for all Saudi joint stock companies.

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 except for the Provision for employees' terminal benefits which are recorded at the present value of future obligations under Projected Unit Credit Method. These financial statements are presented in Saudi Riyals, which is the Company's presentation as well as functional currency.

4.2 Use of estimation and judgments

The preparation of the accompanying IFRS financial statements, in conformity with IFRS as endorsed in Kingdom of Saudi Arabia and other standards pronouncements issued by SOCPA, requires the use of judgements, estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well disclosure of certain contingent assets and liabilities as at the date of the statement 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Use of estimation and judgments (Continued)

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

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

- Provisions for doubtful debts and slow-moving inventory;
- Estimated useful lives and residual values of property, plant and equipment;
- Provisions and accruals;
- Defined benefit obligations – Employees' benefits;
- Going concern.

4.3 New standards, amendments and standards issued and not yet effective:

4.3.1 New standards, amendment to standards and interpretations:

- The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from January 1, 2018, the effects of application of these standards have been elaborated in notes below.

IFRS 9 Financial Instruments

Classification and Measurement - Financial Assets

The classification and measurement of financial assets depends on the business model and estimated cash flows. Any derivatives included in the contracts are not separated and taken into account as a whole in the classification.

Financial assets are classified primarily in the following categories:

- At amortized cost
- Fair Value Through Other Comprehensive Income (FVTOCI)
- Fair Value Through Profit or Loss (FVTPL)

Initial recognition – Financial assets and financial liabilities

An entity shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 New standards, amendments and standards issued and not yet effective (Continued):

4.3.1 New standards, amendment to standards and interpretations:

At initial recognition, except for the trade receivables which do not contain a significant financing component, the Company measures a financial asset at its fair value. In the case of a financial asset not at fair value through profit or loss, financial asset are measured at transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss and other comprehensive income, if any.

Financial assets especially the trade receivables that do not contain a significant financing component are initially recognized at fair value and are subsequently measured at amortized cost on the basis of the expected credit loss as follows:

- Expected credit loss for 12 months - expected credit losses arising from default events on possible financial instruments within 12 months after the reporting date.
- Expected credit loss for the expected life of the financial instrument - the expected credit loss arising from all possible default events over the life of the financial instrument.

The expected credit loss provision is created over the life of the financial instrument if the credit risk of the instrument has increased significantly since initial recognition as well as for contractual assets or trade receivables that does not constitute a financing transaction in accordance with International Financial Reporting Standard 15.

Financial liabilities:
All financial liabilities are recognized initially at fair value and, in the case of long term loans and payables, net of directly attributable transaction costs. The Company's financial liabilities include accounts payable, accruals and long-term loans.

(Expressed in '000' Saudi Riyals)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 New standards, amendments and standards issued and not yet effective (Continued):

4.3.1 New standards, amendment to standards and interpretations:

The shift:

Changes in accounting policies resulting from application of IFRS 9 are generally applied retrospectively. However, companies can benefit from the exemption that allows them not to modify comparative information for prior periods with respect to changes in classification and measurement (including reduction). Differences in the carrying amounts of financial assets and financial liabilities arising from the application of the IFRS are recognized in retained earnings and reserves as at 1 January 2018.

The business model in which the financial assets held is determined. Some of previous financial assets were identified and cancelled.

The Company has adopted expected credit loss method following a general approach by making changes to the provisions against trade receivables by adopting a 12-months expected credit loss model. Moreover, specific provisions are kept by the Company against certain receivables. The details of the changes adopted by the Company in respect of the new significant accounting policies with reference to IFRS-9 are as follows:

ECL Based General and Specific Provisions against trade receivables:

	Amounts before adoption	Adjustment	As reported under IFRS-9
Impact on opening retained earnings	225,824	(10,698)	215,126
Impact on current year profit or loss statement (net loss)	(83,374)	(126)	(83,500)

IFRS 15 Revenue from Contracts with Customers:

IFRS 15 provides a single comprehensive model for use in accounting for revenue arising from contracts with customers. This reporting standard replaces the Income Recognition Guidelines in IAS 18 Revenue, IAS11 Construction Contracts and related interpretations.

The primary objective of IFRS 15 is that an entity should recognize revenue in exchange for the carriage of goods or services to customers in an amount that reflects the material compensation that the enterprise expects for such goods or services.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 New standards, amendments and standards issued and not yet effective (Continued):

4.3.1 New standards, amendment to standards and interpretations:

Effective 1 January 2018, the Company recognizes revenue when the customer obtains control of the goods and recognizes receipt in accordance with the requirements of IFRS 15. The standard defines a 5-step revenue recognition model:

Step 1: Identify contracts or contracts with customers.
Step 2: Define performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Revenue recognition when the entity satisfies the performance obligations.

Through IFRS 15, revenue is recognized on the performance of the obligation, when control over the goods or services performing a particular obligation is transferred to the customer.

Impact of application of the standard:

The Company's current accounting policies with reference to the adoption of IFRS 15 have no impact on the Company's financial statements at the yearend.

4.3.1.1 Standards issued but not yet effective:

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting years beginning on or after 1 January 2019 with earlier application permitted. However, the Company has not early adopted the following new or amended standards in preparation of these financial statements.

IFRS 16 –'Leases' (effective for annual years beginning on or after 1 January 2019).IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3.1.1 Standards issued but not yet effective (Continued):

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.

Annual Improvements to IFRSs 2015–2017 Cycle
IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business.

- ✓ If a party maintains (or obtains) joint control, then the previously held interest is not re-measured.
- ✓ If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party re-measures the previously held interest at fair value.

IAS 12 Income Taxes - clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity.

IAS 23 Borrowing Costs - clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date, an entity adopts the amendments.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3.1.1 Standards issued but not yet effective (Continued):

Other amendment:

The following amendment to standards are not yet effective and neither expected to have a significant impact on the Company's Interim Financial Statements:

- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)

4.4 Going concern

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

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

4.5 Current versus non-current classification

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

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

All other assets are classified as non-current.
A liability is current when:

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

The company classifies all other liabilities as non-current.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

Loans having fixed maturities are recorded at discounted values based on the effective interest rate method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Property, plant and equipment

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

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

	Percentage
Buildings	2.5%
Plant machinery and Equipments	4% - 5%
Quarry machinery	15%
Vehicles	25%
Furniture, fixtures and office equipment	10% - 12.5%
Computers	15%

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

Impairment of property, plant and equipment

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Intangible assets

All costs paid to acquire the intangible assets are capitalized. It is stated at cost less accumulated amortization. The intangible assets of the Company are amortized over an estimated useful life using the straight-line method.

Intangible assets include software and licenses. Computer software licenses are capitalized based on the cost incurred to acquire and bring into use the specific software. Amortisation is charged to the statement of profit or loss on a straight line basis over an estimated useful life from the date the software is available for use. Cost associated with maintaining software programs are recognized as expense when incurred while development cost is capitalized on meeting certain criteria.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their respective economic useful lives, using the straight-line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization methods, residual values and estimated economic useful lives are reviewed at least annually. The Company tests an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount with its carrying amount either annually or whenever there is an indication that the intangible asset may be impaired. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Amortisation periods for license are determined primarily by reference to the unexpired license period, the conditions for license renewal and whether licenses are dependent on specific technologies. Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives from the commencement of related services.

4.9 Inventories

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

The Company regularly reviews the net realizable value of inventories to 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Trade receivable

Trade receivables are carried at the transaction price related to a performance obligation less an allowance for doubtful debts. The Company assesses the allowance for doubtful debts using an expected credit losses (ECL) approach over the lifetime of the assets. The Company uses a provision matrix to measure the ECLs of trade receivables from customers while the government and quasi government customers are secured and are not included in ECLs. Loss rates are calculated using a 'recovery rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off connected with the aging schedule of the outstanding receivables. Loss rates are based on actual credit loss experience over the past two years. For provisions against specific receivables, a customer-by-customer analysis of receivables is carried out at the end of each reporting period. Provisions are reversed only when the outstanding amounts are recovered from the customers and Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with this Standard. When a trade receivable is uncollectible, it is written off against the allowance for doubtful debts in the statement of profit or loss, based on the criteria defined in the Company's policy.

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

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

4.11 Cash and Cash Equivalents

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

4.12 Offsetting

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

4.13 Zakat and Income Tax

Zakat provision is provided for in accordance with General Authority of Zakat and Income Tax (GAZT) regulations. Submission and disclosure of provisions in the financial statements shall be according to the Zakat and tax rules. The Company withholds taxes on certain transactions with non-resident parties as required under the Saudi Arabian Tax Laws. Withholding tax related to foreign payments on services are recorded as current liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Trade and accounts payables

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

4.15 Provisions and other liabilities

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

4.16 Defined benefits obligation- employees' benefits

Employees' end-of-service benefits is calculated based on Company's internal policy. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods.

Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income, in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

The Company recognises the following changes in the defined benefits obligation under 'operating cost' and 'general and administrative expenses' in the profit and loss account:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Interest expense

The calculation of defined benefits obligation is performed annually by a qualified actuary using the projected unit credit method.

4.17 Statutory reserve

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

4.18 Contingent assets and liabilities

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

4.19 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 on the completion of performance obligation where 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 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.

4.21 Cost of revenue

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

4.22 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.

4.23 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.

4.24 Dividends and appropriations

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

4.25 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Chief Operating Decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

4.26 Settlement date accounting

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

(Expressed in '000' Saudi Riyals)

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant,quarry, machinery and other equipment	Vehicles	Furniture and fixtures, and office equipment	Computers	Assets held for future use (strategic)	Capital work in progress	Total
Cost:									
At January 1, 2018	2,563	1,162,563	1,854,403	22,012	13,147	4,391	37,923	2,955	3,099,957
Additions during the year	-	338	1,040	820	123	113	453	2,247	5,134
Disposals during the year	-	-	-	(992)	(139)	(188)	-	-	(1,319)
Write offs during the year	-	-	-	-	-	-	-	(109)	(109)
Transfers during the year	-	303	3,162	-	-	-	-	(3,465)	-
At December 31, 2018	2,563	1,163,204	1,858,605	21,840	13,131	4,316	38,376	1,628	3,103,663
Accumulated Depreciation:									
At January 1, 2018	-	280,986	569,315	16,968	8,031	2,472	-	-	877,772
Charge for the year	-	28,658	61,812	1,426	543	292	-	-	92,731
Disposals during the year	-	-	-	(660)	(97)	(154)	-	-	(911)
At December 31, 2018	-	309,644	631,127	17,734	8,477	2,610	-	-	969,592
Net Book Value:									
At December 31, 2018	**2,563**	**853,560**	**1,227,478**	**4,106**	**4,654**	**1,706**	**38,376**	**1,628**	**2,134,071**
At December 31, 2017	**2,563**	**881,577**	**1,285,088**	**5,044**	**5,116**	**1,919**	**37,923**	**2,955**	**2,222,185**

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

	December 31'	
	2018	2017
Cost of revenue	91,147	108,691
Selling and distribution expenses	453	550
General and administrative expenses	1,131	1,263
Total	92,731	110,504

5.2 The Company's PPE, except the headquarters building at Najran, are constructed on two separate leased lands from the Government at Sultanah and Aakfah areas in Najran region for periods of 30 and 25 years respectively and are renewable at the option of the Company

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

5.3 During the financial year 2018, management carried out an internal assessment of the remaining useful lives of certain categories of it's buildings and machinery items. The increase in useful lives solely relates to improvements and exhaustive maintenance programs applied by the company over the years of their operational use which will have financial impact in the current period and in all future periods. The internal assessment was jointly done by the technical consultant and company key technical personnel.

The financial impact of the increase in useful lives of property and plant for the six months period ended December 31, 2018 is as follows:

		For the six months period ended December 31, 2018	
	Useful life until June 2018	**Revised estimated useful life**	**Decrease in depreciation expense due to change in estimate**
	(Years)	(Years)	(SR) in '000'
Assets category			
Buildings	25	40	6,612
General plant and machinery	20	20 - 25	5,821

6. INTANGIBLE ASSETS

	DECEMBER 31,	
	2018	2017
Cost:		
Opening balance at 01 January	7,446	7,276
Additions during the year	1,230	170
Closing balance at 31 December	**8,676**	**7,446**
Accumulated amortization:		
Opening balance at 01 January	4,411	3,895
Amortization for the year	185	516
Closing balance at 31 December	**4,596**	**4,411**
Net book value	**4,080**	**3,035**

Amortization expense is included in general and administration expenses.

7. STORES, SPARE PARTS AND LOOSE TOOLS

	DECEMBER 31,	
	2018	2017
Consumables spare parts - not for sale	119,717	125,925
Less: provision for slow moving items	(4,000)	(4,000)
Net balance	**115,717**	**121,925**

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

	DECEMBER 31,	
	2018	2017
Balance at the beginning of the year	4,000	4,000
Add: provided during the year	-	-
Balance at the end of the year	**4,000**	**4,000**

Strategic spares held for future capital use amounting to SR 38,376 (2017: SR 37,923) are classified within property, plant and equipment.

8. STOCK IN TRADE

	DECEMBER 31,	
	2018	2017
Raw materials, fuel and packing materials	23,137	21,203
Goods in process	235,724	277,452
Finished goods	8,283	6,930
Total	**267,144**	**305,585**

9. TRADE AND RELATED PARTY RECEIVABLES

	DECEMBER 31,	
	2018	2017
Trade receivables - gross	42,648	50,544
Less: provision against doubtful trade debts	(11,770)	(946)
Less: area incentives accrual	(298)	-
Trade receivables - net	**30,580**	**49,598**

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

	DECEMBER 31,	
	2018	2017
Balance at the beginning of the year	946	2,156
Add: provided during the year	126	-
Add: IFRS 9 expected loss provision adjustment in opening retained earnings	10,698	-
	11,770	2,156
Less: Written back during the year	-	(1,210)
Balance at the end of the year	**11,770**	**946**

10. PREPAYMENTS AND OTHER RECEIVABLES

	DECEMBER 31,	
	2018	2017
Advances to suppliers	3,781	5,901
Prepaid expenses	5,672	4,136
Refundable custom duties - net	2,014	2,570
Other receivables	2,396	3,203
Total	**13,863**	**15,810**

11. CASH AND CASH EQUIVALENTS

	DECEMBER 31,	
	2018	2017
Cash in hand	552	428
Current accounts at banks	11,472	12,630
	12,024	**13,058**

Cash at bank includes unclaimed dividends of SR 1,008 (2017: SR 1,041).

12. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS

The Company operates an unfunded Employees' Terminal Benefit ("ETB") plan for its employees as required by the Saudi Arabian Labour Law. The movement in provision for end-of-service benefits for the year ended 31 December is as follows:

		DECEMBER 31,	
	NOTE	2018	2017
Balance at beginning of the year		25,366	21,109
Current service cost		3,907	3,699
Interest cost		843	796
Amount recognised in profit or loss account		4,750	4,495
Re-measurement (gain) / loss recognized in other comprehensive Income	12.1	(1,893)	1,211
Benefits paid during the year		(2,594)	(1,449)
Balance at the end of the year		**25,629**	**25,366**

12. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS (CONTINUED)

12.1 Re-measurements gains recognized in other comprehensive income for the year ended 31 December 2018 are as follows:

	DECEMBER 31, 2018	DECEMBER 31, 2017
(Gain)/ loss due to changes in financial assumptions	(294)	1,005
(Gain)/ loss due to changes in demographic assumptions	(398)	-
(Gain)/ loss due to changes in experience adjustments	(1,201)	206
Total actuarial (gain) / loss on obligation	**(1,893)**	**1,211**

12.2 Principal actuarial assumptions

Below are the principle actuarial assumptions:

Key actuarial assumptions	DECEMBER 31, 2018	DECEMBER 31, 2017
Discount rate used	4.45%	3.20%
Future growth in salary		
Next three years	3.00%	3.00%
Long term salary increase rate	4.25%	3.00%
Turnover	Moderate	Moderate
Demographic assumptions		
Retirement Age	60	60

12.3 Sensitivity analysis:

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

	DECEMBER 31,2018		DECEMBER 31,2017	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	24,139	26,440	23,950	26,922
Future salary growth (0.5% movement)	26,156	24,389	26,983	23,882

12.4 Risks associated with defined benefit plans

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

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

13. LONG TERM FINANCING

	Banque Saudi Fransi		SUKUK	Total
	Note 13.1	Note 13.1	Note 13.2	
Principal amount	50,000	150,000	400,000	600,000
Accrued mark up	-	-	718	718
Total amount outstanding as of January 01, 2018	50,000	150,000	400,718	600,718
Less: Repayments/ redemptions during the year	(50,000)	-	(718)	(50,718)
Net principal amount	-	150,000	400,000	550,000
Accrued mark up for the year	-	-	1,170	1,170
	-	150,000	401,170	551,170
Less: Transferred to current liabilities	-	(60,000)	(1,170)	(61,170)
Balance as of December 31, 2018 (long term portion)	-	90,000	400,000	490,000

13.1 Commercial Banks Facilities (Tawarruq):

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

On 22nd January, 2018, the commercial credit facilities of the company got restructured when the markup increased from 1.75% to 2.5% . All other terms and conditions remained the same. As result of the restructuring, specific facility outstanding balance of SR 50 million against third production line that was repayable in two quarterly instalments of SR 25 million by the end of June 2018 was paid, in full, in four quarterly instalments of SR 12.50 million by the end of December 2018. The specific facility of SR 150 million against waste heat recovery project that was repayable in six quarterly instalments of SR 25 million, starting from September 2018 till December 2019 is now to be paid in ten quarterly instalments of SR 15 million with repayment starting from March 2019 till the end of June 2021.

The Company also has a multi purpose cash facility for SR 50 million, available but not utilized by the Company.

These facilities are secured by, inter alia, three order notes amounting to SR 240,550 and assignment of the insurance policy for the third production line.

13.2 Sukuk:

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

Pursuant to a breach of Sukuk covenant related to the financial position as at December 31, 2017 , the management approached the Sukuk holders for full time waiver of the financial covenant that was granted and the management increased the profit rate by 75 bps effective for settlement periods maturing in FY 2019 till the remaining term of the Sukuk.

14. PROVISION FOR ZAKAT

	DECEMBER 31,	
	2018	2017
Opening balance	24,343	24,993
Provision booked during the year	7,407	11,300
Zakat paid during the year	(11,264)	(11,950)
Closing balance	**20,486**	**24,343**

14.1 Status of zakat return and assessment

Zakat assessments have been finalized with General Authority for Zakat and Tax (GAZT) for all the years up to 31 December 2011. The company has also filed its zakat returns and paid the zakat dues for the years from 2012 to 2017 and obtained the zakat certficate for these years while the assessments still remain to be finalized for these years.

15. ACCRUED AND OTHER PAYABLES

	DECEMBER 31,	
	2018	2017
Raw material royalties payable	8,343	9,969
Other payables	6,701	7,005
Accrued expenses	512	519
Dividends payable	1,008	1,041
	16,564	**18,534**

16. TURNOVER - GROSS

	DECEMBER 31,	
	2018	2017
Gross turnover:		
- Local	363,312	431,136
- Export	23,888	76
	387,200	**431,212**

Twelve customers (2017: Nine customers), whose sales represents 40 % of total revenue, accounted for a combined total of SR 160,401 (2017: SR 177,939). These customers had receivables balances as at December 31, 2018 totaling SR 29,612 (2017: SR 35,560)

17. COST OF REVENUE

	NOTE	DECEMBER 31, 2018	DECEMBER 31, 2017
Raw and packing material consumed		10,162	15,818
Salaries, wages and related benefits	17.1	56,034	58,944
Royalties on raw materials		8,343	9,893
Blasting costs		3,447	4,805
Material handling and transport		12,190	9,344
Fuel and power		32,430	51,235
Repairs and maintenance		19,896	24,730
Operation and management expenses		9,136	12,206
Insurance		3,838	5,107
Depreciation	5.1	91,147	108,691
Professional fees		234	1,221
Ground lease rents		631	688
Other expenses		4,295	6,082
		251,783	308,764
Changes in opening work in progres and finished goods		285,927	276,488
Changes in closing work in progres and finished goods		(245,344)	(285,927)
Cost of revenue		292,366	299,325

17.1 Salaries, wages and benefits include staff retirement benefits amounting to SR 3,091 (2017: SR 2,951).

17.2 The cost of revenues includes indirect cost which relates to the non-operating part of the Company's production line(s) during the year, due to the slowdown in the market, amounting to SR 77,606 (2017: SR 69,676).

18. SELLING AND DISTRIBUTION EXPENSES

		DECEMBER 31,	
	NOTE	2018	2017
Salaries, wages and related benefits	18.1	4,660	4,930
Depreciation	5.1	453	550
Export expenses		134	54
Travel expenses		51	126
Others		271	383
Bad debts		126	-
Cement transportation		-	996
Total		**5,695**	**7,039**

18.1 Salaries, wages and benefits include staff retirement benefits amounting to SR 253 (2017: SR 310).

19. GENERAL AND ADMINISTRATIVE EXPENSES

		DECEMBER 31,	
	NOTE	2018	2017
Salaries, wages and related benefits	19.1	20,543	19,587
Legal and professional services		2,405	1,706
Depreciation and amortization	5.1& 6	1,316	1,779
Travel expenses		838	1,272
Regulatory fees		674	681
Donations		600	600
Information technology		180	1,118
Bank charges		114	135
Office maintenance		446	2,129
Others		2,452	2,978
Total		**29,568**	**31,985**

19.1 Salaries, wages and benefits include staff retirement benefits amounting to SR 1,406 (2017: SR 1,234).

20. FINANCE COST

	DECEMBER 31, 2018	DECEMBER 31, 2017
Mark up on Sukuk	15,269	13,276
Mark up on loans	10,462	9,781
Bank charges and commissions	1,162	548
Total	**26,893**	**23,605**

21. CONTINGENT LIABILITES

As of December 31, 2018, the Company had commitments in the form of letters of credit and bills for collection amounting to SR NIL (2017: SR 1,636) and performance bonds amounting to SR 850 (2017: SR NIL).

22. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Transactions with related parties were carried out in the normal course of business on terms agreed between the parties. Following are the significant related party transactions during the year and the related balances:

22.1 Advances from related parties

Related party	Relation	DECEMBER 31, 2018	DECEMBER 31, 2017
AMAK Company	Affiliate	4	-
Total		**4**	-

22.2 Related party transactions:

	2018	2017
Sales:		
Yaal Alarabeyah co.	2,044	-
AMAK CO.	49	-
	2,093	-

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

	DECEMBER 31, 2018	DECEMBER 31, 2017
Salaries	3,747	3,675
Allowances	1,521	1,078
Annual and periodic remuneration	3,141	3,133
End of service benefits	306	285
Total	**8,715**	**8,171**

23. 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.

24. FINANCIAL RISK MANAGEMENT AND OBJECTIVES AND POLICIES

The Company finances its operations through equity and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the Company is exposed to market risk (including profit rate risk, currency risk and other price risk), credit risk and liquidity risk. The Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as investments, trade and other receivables. The Company has various financial liabilities such as long-term financing, trade and other accounts payable.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: profit rate risk, currency risk and other price risk.

(a) Profit rate risk

Profit rate risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market profit rates. The Company mitigates its risk against exposure through focusing on maintaining bank balances. As of the statement of financial position date the Company is not materially exposed to profit rate risk.

(b) Currency risk

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies. The Company does not believe it is materially exposed to currency risk as the majority of the Company's transactions and the balances are denominated in Saudi Riyals or in US Dollars. US dollar rate is fixed with the Saudi Riyal. Certain transactions are in Euros, but these are not material.

(c) Other price risk

Other price risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices. The company is not materially exposed to other price risks.

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

Credit risk

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

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

Age of trade receivables that are past due but not impaired as of December 31, 2018 is as follows:

	DECEMBER 31,	
	2018	2017
1-90 days	14,533	28,623
91-180 days	8,062	6,296
181-360 days	4,271	4,510
Over 360 days	4,012	10,169
Total	**30,878**	**49,598**

Age of impaired trade receivables as of December 31, 2018 is as follows:

	DECEMBER 31,	
	2018	2017
More than 360 days	11,770	946
Total	**11,770**	**946**

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

Liquidity risk

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

Exposure to liquidity risk

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

	On Demand	Less than 3 months	3-12 months	1-5 years	Total
December 31, 2018'	-	-	61,170	490,000	551,170
December 31, 2017'	-	-	100,718	500,000	600,718

25. PLANT CAPACITY AND PRODUCTION - Clinker

		Available capacity		Actual production	
		2018	2017	2018	2017
		(Metric tonnes '000')		(Metric tonnes '000')	
Line 1	Based on 330 days	1,980	1,980	-	-
Line 2	Based on 330 days	990	990	970	-
Line 3	Based on 330 days	2,145	2,145	-	1,661
		5,115	5,115	970	1,661

26. COMPARATIVE FIGURES

Certain comparative figures have been reclassified or re arranged in order to conform to the presentation adopted for financial statements of the current year.

27. BOARD OF DIRECTORS APPROVAL

These financial statements were approved by the Board of Directors of the Company on February 27, 2019.