SAUDI WHITE CEMENT COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
AND INDEPENDENT AUDITOR'S REPORT

SAUDI WHITE CEMENT COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED December 31, 2018

Independent auditor's report to the shareholders of Saudi White Cement Company Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saudi White Cement Company (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, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, 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.

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Independent auditor's report to the shareholders of Saudi White Cement Company (continued)

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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, 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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, 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.

PricewaterhouseCoopers

Mufaddal A. Ali
License No.447

برايس وترهاوس كوبرز
محاسبون قانونيون
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C.R. 4030289002

March 25, 2019

SAUDI WHITE CEMENT COMPANY
(A Saudi Closed Joint Stock Company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2018	As at December 31, 2017	As at January 1, 2017
Assets				
Non-current assets				
Property, plant and equipment	5	**1,535,205,779**	1,590,328,495	1,665,262,697
Investment accounted for using the equity method	6	**-**	6,018,798	7,667,174
Total non-current assets		**1,535,205,779**	1,596,347,293	1,672,929,871
Current assets				
Inventories	8	**317,118,910**	352,477,775	382,702,501
Trade receivables	9	**71,026,829**	82,538,661	113,851,582
Prepayments and other receivables	10	**15,095,579**	12,126,282	19,762,407
Due from related parties	20	**35,494,007**	39,605,455	97,545,558
Non-current assets held for sale	7	**2,818,798**	-	-
Cash and cash equivalents	11	**13,683,251**	9,774,919	20,041,104
Total current assets		**455,237,374**	496,523,092	633,903,152
Total assets		**1,990,443,153**	2,092,870,385	2,306,833,023
Equity and liabilities				
Equity				
Share capital	12	**1,200,000,000**	1,200,000,000	1,200,000,000
Statutory reserve	13	**360,000,000**	360,000,000	360,000,000
Retained earnings		**110,811,603**	102,618,669	129,548,288
Total equity		**1,670,811,603**	1,662,618,669	1,689,548,288
Liabilities				
Non-current liabilities				
Long-term borrowings	14	**-**	27,361,551	46,232,275
Employee benefits obligations	15	**17,634,661**	18,665,235	28,188,024
Provision for decommissioning costs	16	**7,036,148**	6,094,241	5,095,821
Total non-current liabilities		**24,670,809**	52,121,027	79,516,120
Current liabilities				
Trade payables		**21,488,177**	11,804,390	16,453,475
Accruals and other payables	17	**50,391,630**	52,576,200	92,265,262
Dividend payable		**3,943,839**	4,267,762	4,372,293
Short term borrowings	18	**175,184,597**	274,466,402	395,000,000
Current portion of long-term borrowings	14	**28,253,260**	20,373,232	15,520,235
Zakat payable	19	**15,699,238**	14,642,703	14,157,350
Total current liabilities		**294,960,741**	378,130,689	537,768,615
Total liabilities		**319,631,550**	430,251,716	617,284,735
Total equity and liabilities		**1,990,443,153**	2,092,870,385	2,306,833,023

The accompanying notes are an integral part of these financial statements.

SAUDI WHITE CEMENT COMPANY
(A Saudi Closed Joint Stock Company)
Statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2018	2017
Sales	21	**393,681,749**	554,388,410
Cost of sales	22	**(294,442,361)**	(336,867,313)
Gross profit		**99,239,388**	217,521,097
Selling and distribution expenses	23	**(2,616,365)**	(2,509,089)
General and administrative expenses	24	**(17,878,640)**	(28,490,162)
Other operating income		**1,616,058**	757,900
Operating profit		**80,360,441**	187,279,746
Share in net loss of an associate	6	**-**	(848,374)
Financial costs	25	**(12,040,108)**	(17,618,491)
Profit before zakat		**68,320,333**	168,812,881
Zakat expenses	19	**(2,140,686)**	(992,648)
Profit for the year		**66,179,647**	167,820,233
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss			
Gain/(loss) on re-measurement of employee benefits obligations		**3,413,287**	(1,349,852)
Other comprehensive income for the year		**3,413,287**	(1,349,852)
Total comprehensive income for the year		**69,592,934**	166,470,381
Earnings per share	29	**0.55**	1.4

The accompanying notes are an integral part of these financial statements.

SAUDI WHITE CEMENT COMPANY
(A Saudi Closed Joint Stock Company)
Statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Total
January 1, 2017	4	1,200,000,000	360,000,000	129,548,288	1,689,548,288
Profit for the year		-	-	167,820,233	167,820,233
Other comprehensive income for the year		-	-	(1,349,852)	(1,349,852)
Total comprehensive income for the year		-	-	166,470,381	166,470,381
Transactions with owners					
Board of directors remunerations		-	-	(1,400,000)	(1,400,000)
Dividends	30	-	-	(192,000,000)	(192,000,000)
At December 31, 2017		1,200,000,000	360,000,000	102,618,669	1,662,618,669
January 1, 2018	4	1,200,000,000	360,000,000	102,618,669	1,662,618,669
Profit for the year		-	-	66,179,647	66,179,647
Other comprehensive income for the year		-	-	3,413,287	3,413,287
Total comprehensive income for the year		-	-	69,592,934	69,592,934
Transactions with owners					
Board of directors remunerations		-	-	(1,400,000)	(1,400,000)
Dividends	30	-	-	(60,000,000)	(60,000,000)
At December 31, 2018		1,200,000,000	360,000,000	110,811,603	1,670,811,603

The accompanying notes are an integral part of these financial statements.

SAUDI WHITE CEMENT COMPANY
(A Saudi Closed Joint Stock Company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2018	2017
Cash flows from operating activities			
Profit before zakat		**68,320,333**	168,812,881
Adjustments for non-cash items:			
Depreciation	5	**81,240,504**	79,274,319
Gain from sale of property and equipment		**-**	(612,324)
Property and equipment written off		**-**	1,500,000
Capital work in progress written off		**-**	7,307,044
Provision for inventory obsolescence		**-**	9,412,924
Reversal of provision for doubtful debts		**-**	(600,000)
Share in loss of an associate		**-**	848,376
Employee benefit obligations	15	**5,229,758**	4,445,941
Financial charges		**12,040,108**	17,618,491
Changes in working capital:			
Inventories		**35,358,865**	20,811,802
Trade receivables		**11,511,832**	31,912,921
Prepayments and other receivables		**(2,969,297)**	7,636,125
Due from related parties		**4,111,448**	57,940,103
Trade payables		**9,683,787**	(4,649,085)
Accruals and other payables		**(2,184,570)**	(40,474,752)
		222,342,768	361,184,766
Employee benefit obligations paid	15	**(2,847,046)**	(15,318,582)
Financial costs paid on borrowings		**(11,098,200)**	(15,834,381)
Zakat paid	19	**(1,084,151)**	(507,295)
Net cash inflow from operating activities		**207,313,371**	329,524,508
Cash flow from investing activities			
Purchase of property, plant and equipment	5	**(26,117,788)**	(13,296,537)
Proceed from sale of property and equipment		**-**	761,700
Collections from disposal of assets	7	**3,200,000**	-
Dividend received from an associate	6	**-**	800,000
Net cash outflow from investing activities		**(22,917,788)**	(11,734,837)
Cash flows from financing activities			
Dividends paid		**(60,323,923)**	(192,104,531)
Board of directors remunerations		**(1,400,000)**	(1,400,000)
Net change in borrowings		**(118,763,328)**	(134,551,325)
Net cash outflow from financing activities		**(180,487,251)**	(328,055,856)
Net change in cash and cash equivalents		**3,908,332**	(10,266,185)
Cash and cash equivalents at beginning of year		**9,774,919**	20,041,104
Cash and cash equivalents at end of year		**13,683,251**	9,774,919

The accompanying notes are an integral part of these financial statements.

1 General information

Saudi White Cement Company (the "Company") is a Saudi closed joint stock company registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010146169 dated 25 Safar 1418H (corresponding to July 1, 1997).

The Company is principally engaged in the production and selling of cement pursuant to Industrial License No. 494 dated 25 Jumada II 1414H (corresponding to December 8, 1993) as amended in the Ministerial Resolution No. 797 dated 29 Rajab 1419H (corresponding to November 18, 1998).

The accompanying financial statements includes the accounts of the Company and its branch, Riyadh Cement Company, registered in Riyadh, under CR number 1010210405. The registered address of the Company is P.O. Box 17775, Riyadh 11494, Kingdom of Saudi Arabia.

The authorized, issued capital of the Company is Saudi Riyals 1,200,000,000 divided into 120 million shares of Saudi Riyals 10 each.

The accompanying financial statements were authorized for issue by the Company's Board of Directors on March 25, 2019.

2 Summary of significant accounting policies

The principal accounting policies applied for the preparation of financial statements of the company are set out below.

2.1 Basis of preparation

(a) Statement of compliance

These financial statements of the Company have been prepared in compliance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia ("IFRS") and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

For all periods up to and including the year ended December 31, 2017, the Company prepared its financial statements in accordance with local generally accepted accounting principles as issued by SOCPA ("previous GAAP"). These are the first annual financial statements for the year ended December 31, 2018 in accordance with IFRS and other standards and pronouncements issued by SOCPA. In preparing the financial statements, the Company's opening statement of financial position was prepared as at January 1, 2017 which is the Company's date of transition to IFRS, in compliance with IFRS 1 "First time adoption of International Financial Reporting Standards" ("IFRS 1") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA.

Explanations of how the transition to IFRS has affected the reported amounts of statement of financial position, statements of profit or loss and other comprehensive income, changes in equity and cash flows of the are provided in Note 4.

Income and cash flow statements

The Company has elected to present a single statement of comprehensive income and presents its expenses by function.

The Company reports cash flows from operating activities using the indirect method. Interest received is presented within investing cash flows; interest paid is presented within operating cash flows.

(b) Historical cost convention

These financial statements are prepared under the historical cost convention except for the measurement of financial asset at fair value through other comprehensive income and employee benefit obligations as explained in the relevant accounting policies.

2.2 New and ammended standards adopted by the Company

The Company has adopted International Financial Reporting Standard 15 *Revenue from Contracts with Customers* (IFRS 15) and International Financial Reporting Standard 9 *Financial Instruments* (IFRS 9) from January 1, 2018.

(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 New and ammended standards adopted by the Company (continued)

(a) IFRS 15 - Revenue from contracts with customers

The Company has adopted IFRS 15 using the modified retrospective method with the effect of applying this standard at the date of initial application (i.e. January 1, 2018). Accordingly, information stated for 2017 has not been restated (previously it was presented under previous GAAP). The application of IFRS 15 was not material and did not require any adjustments to the retained earnings as at January 1, 2018.

The accounting policies relating to revenue are disclosed in Note 2.20.

(b) IFRS 9 - Financial instruments

IFRS 9 replaces the provisions of IAS 39, *Financial Instruments: Recognition and Measurement,* (IAS 39) that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Company has adopted IFRS 9 with the effect of applying this standard at the date of initial application (i.e. January 1, 2018). The Company has taken an exemption not to restate the comparative information for prior periods with respect to the classification and measurement (including impairment) requirements. However, the adoption of IFRS 9 did not have any significant impact on the measurement and recognition of the financial instruments on the financial statements except for the change in the classification of the financial instruments as listed below.

The following table shows changes in classification and measurement in accordance with previous GAAP and IFRS 9 for the Company's financial assets and financial liabilities as of January 1, 2018:

	Original classification under previous GAAP	New classification under IFRS 9	Original measurement under previous GAAP	New measurement under IFRS 9	Original carrying amount under previous GAAP	New carrying amount under IFRS 9
Financial assets						
Trade receivables	Loans and receivables	Financial assets at amortized cost	Amortized cost	Amortized cost	86,160,249	86,160,249
Other receivables	Loans and receivables	Financial assets at amortized cost	Amortized cost	Amortized cost	3,098,660	3,098,660
Cash and cash equivalent	Loans and receivables	Financial assets at amortized cost	Amortized cost	Amortized cost	9,774,919	9,774,919
Financial liabilities						
Borrowings	Other financial liabilities at amortized cost	Financial liabilities at amortized cost	Amortized cost	Amortized cost	322,201,185	322,201,185
Trade payables	Other financial liabilities at amortized cost	Financial liabilities at amortized cost	Amortized cost	Amortized cost	11,804,390	11,804,390
Other payables	Other financial liabilities at amortized cost	Financial liabilities at amortized cost	Amortized cost	Amortized cost	36,788,274	36,788,274

(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 New and ammended standards adopted by the Company (continued)

Impact of the new impairment model

The Company has determined that the application of IFRS 9's impairment requirements at January 1, 2018 has not resulted in a material difference to the impairment allowance.

The accounting policies relating to classification and measurement of financial assets and financial liabilities and impairment of financial assets are disclosed in Note 2.6.

2.3 Standards issued but not yet effective

Certain new standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning January 1, 2019 or later periods, but have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	**IFRS 16 *Leases***
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Impact	The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company has operating lease commitments of Saudi Riyals 4.4 million, see Note 28. The Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company's profit and classification of cash flows.
Date of adoption by the Company	Mandatory for financial years commencing on or after January 1, 2019. At this stage, the Company does not intend to adopt the standard before its effective date. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other relevant IFRS or IFRS Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

2.4 Basis of equity accounting

Investment using equity method
Associate is that entity in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Investment in associate is accounted for using the equity method (equity accounted investee) and is recognised initially at cost. The financial statements include the Company's share of the income and expenses and equity movements of equity accounted investee, after adjustments to align the accounting policies with those of the Company from the date that significant influence commences until the date that significant influence ceases.

When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

Disposals of associate
When the Company ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset.

2 Summary of significant accounting policies (continued)

2.5 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 realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised 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.

The Company classifies all other assets as non-current.

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

The Company classifies all other liabilities as non-current.

2.6 Financial instruments

2.6.1 Financial assets

(i) Classification

The Company classifies its financial assets as measured at amortised cost. See below for details of each type of financial asset. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

- Cash and cash equivalent
- Trade receivables
- Loans and advances to employees and (Included within prepayments and other receivables)

(ii) Recognition and derecognition

At initial recognition, the Company measures financial assets at its fair value plus transactions costs that are directly attributable to the acquisition of financial asset. Transactions cost of financial assets carried at fair value through profit or loss are expensed in statement of comprehensive income.

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

(iii) Measurement

Subsequent measurement of financial assets depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. The Company classifies its financial assets as measured at amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measure at amortised cost. A gain or loss on a financial instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in statement of comprehensive income when the asset is derecognized or impaired. Interest income from these financial assets is calculated using the effective interest rate method.

Currently, the Company does not hold any equity instruments; therefore, the related accounting policies are not presented.

2 Summary of significant accounting policies (continued)

2.6.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

2.7 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 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.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising 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 categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- 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 on a recurring basis, 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.

2.8 Impairment of financial and non-financial assets

2.8.1 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

2 Summary of significant accounting policies (continued)

2.8.1 Impairment of non-financial assets (continued)

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8.2 Non-current assets classified as held for sale

Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the statement of financial position as ‘non-current assets held for sale’ if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Company’s management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period’s statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

2.8.3 Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost.

For trade receivables, the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. The amount of the loss is charged to the profit or loss.

2.8.4 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts are reported in the consolidated financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

2.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to statement of comprehensive income during the reporting period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life.

2 Summary of significant accounting policies (continued)

2.9 Property, plant and equipment (continued)

Depreciation is calculated on property, plant and equipment so as to allocate its cost, less estimated residual value, on a straight line basis over the estimated useful lives of the assets.

Depreciation is charged to the statement of comprehensive income over the following estimated economic useful lives:

	Years
Buildings, constructions and internal roads	20 – 40
Machinery and equipment	10 – 40
Vehicles and transportation equipment	4-6
Furniture and fixture	7-10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in statement of comprehensive income. Major spare parts qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

Borrowing costs related to qualifying assets are capitalized as part of the cost of the qualified assets until the commencement of commercial production.

Major spare parts and stand-by equipment qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

2.10 Capital work-in-progress

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property and equipment or intangible assets (depending on the nature of the project), once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of capital work in progress comprises its purchase price, construction / development cost and any other directly attributable to the construction or acquisition of an item intended by management.

Capital work-in-progress is measured at cost less any recognised impairment. Capital work-in-progress is not depreciated. Depreciation only commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.

2.11 Inventories

Raw materials and spares, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable 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.

Finished goods
Inventories are carried at the lower of cost or net realizable value. Cost is determined on the weighted-average method. The cost of finished products includes the cost of raw materials, direct labor and manufacturing overheads and all other costs necessary to bring the goods to their existing condition and location.

2 Summary of significant accounting policies (continued)

2.11 Inventories (continued)

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Raw materials
Raw materials are valued at the lower of cost or net realizable value. Cost is determined on the weighted average cost basis.

2.12 Trade receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Subsequent recoveries of amount previously written-off are credited to profit or loss against “General and administrative expenses”.

2.13 Cash and cash equivalents

For the purpose of statement of financial position and presentation in the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2.14 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.15 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Provisions

Provisions are recognized when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. If the effect of the time value of money are material, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Decommissioning cost
Provision for decommissioning obligation is recognized when the Company has a liability for restoration work or land rehabilitation. The extent of decommissioning required and the associated costs are dependent on the requirements of current laws and regulations.

Costs included in the provision includes all decommissioning obligations expected to occur over the life of the asset. The provision for decommissioning is discounted to its present value and capitalized as part of the asset under property, plant and equipment and then depreciated as an expense over the expected life of that asset.

Adjustments to the estimated amount and timing of future decommissioning cash flows are a normal occurrence in light of the significant judgments and estimates involved. Such adjustments are recorded as an increase in liability and a corresponding increase in the related asset. Factors influencing those adjustments include:
- developments in technology;
- regulatory requirements and environmental management strategies;
- changes in the estimated extent and costs of anticipated activities, including the effects of inflation; and
- changes in economic sustainability.

2 Summary of significant accounting policies (continued)

2.17 Borrowings

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in statement of profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

2.18 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the year in which they are incurred in profit or loss.

2.19 Employee benefit obligations

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plans is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in statement of comprehensive income as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

2.20 Revenue

Revenue from sale of goods is measured at the fair value of the consideration received or receivable in the ordinary course of the Company's activities. The Company recognizes revenue when control of the goods has transferred, being when the products are delivered to the customer, the customer has full discretion over the use or sale of such goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location as per the terms of the contract, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2 Summary of significant accounting policies (continued)

2.21 General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of revenue as required under generally accepted accounting standards. Allocations between general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

2.22 Selling and distribution expenses

Selling and marketing expenses principally consist of costs incurred in the distribution and selling of the Company's products and services. All other expenses are classified as general and administrative expenses.

2.23 Foreign currencies

a) Functional and presentation currency

Items included in the financial statements of the Company is measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements is presented in "Saudi Riyals", which is the Company's presentation as well as functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

2.24 Zakat

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Zakat of the Company is calculated based on higher of approximate zakat base and adjusted profit and charged to the statement of comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Company withhold taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian income tax law.

2.25 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing net income or loss for the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the net income or loss for the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

2.26 Dividend distribution

Dividend payable is recognised for the amount of any dividend declared being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period. As per the corporate laws in KSA, a distribution is authorised when it is approved bythe shareholders. A corresponding amount is recognised directly in equity.

2 Summary of significant accounting policies (continued)

2.27 Statutory reserve

Statutory reserve is based on statutory requirements. In accordance with the Saudi Arabian Regulations for companies, the Company must set aside 10% of its annual net income as a statutory reserve until it reaches 30% of the share capital. The reserve is not available for distribution. The reserve allocation is computed on annual basis.

2.28 Operating leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve month period are discussed below:

3.1 Impairment test of non-financial assets

Judgment is required in assessing whether certain factors would be considered as an indicator of impairment. Management considers both internal and external information to determine whether there is an indicator of impairment present and, accordingly, whether impairment testing is required.

Impairment exists when the carrying value of an asset or Cash Generating Unit (“CGU”) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs for disposing off the asset. The value in use calculation is based on a Discounted Cash Flow (“DCF”) model. The cash flow are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the CGU being tested.

In testing for impairment, value in use and fair value less costs of disposal are estimated using the DCF model. These methods are based on various assumptions, such as the projected future cash flows estimate, discount rate, earnings multiples and growth rate. The key assumptions are as follows:

The recoverable amount was based on the CGU’s value in use using the weighted average cost of capital which was determined to be 6.7% (2017: 6.7%) and is based on a risk-free rate, an equity risk premium adjusted for betas of comparable companies and cost of debt based on the Company’s yield on debt.

Cash flow projections have been discounted using a rate derived from the Company’s pre-zakat average cost of capital. The Company included a minimum of five years of cash flows in its discounted cash flow model. The cash flow forecasts were extrapolated beyond the five year period using an estimated long term growth rate of 1% (2017: 1%).

These inputs are based on management’s best estimates of what an independent market participant would consider appropriate. Changes in these inputs may alter the results of impairment testing, the amount of the impairment charges recorded in the statement of comprehensive income and the resulting carrying values of assets.

3 Critical accounting estimates and judgments (continued)

3.2 Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's history, existing market conditions as well as forward looking estimates at the end of each reporting period. These estimates are derived from past experience, actual operating results and budgets.

3.3 Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for uncertain liabilities involve management's best estimate whether cash outflows are probable.

During the year 2018 and 2017, the decommissioning liability has been recognised.

3.4 Depreciation of property and equipment

The Company's management determines the estimated useful life of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews the estimated useful lives, residual values and the depreciation method to ensure that the method and periods of depreciation are consistent with the expected pattern of economic benefit of the assets.

3.5 Employment benefits obligations

Employment benefits represent obligations that will be settled in the future and require assumptions to project obligations. IFRS requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases and return on assets, mortality rates, employment turnover and future healthcare costs. Changes in key assumptions can have a significant impact on the projected benefit obligation and/or periodic employees' benefits costs incurred.

4 First time adoption of IFRS

These are the Company's first financial statements prepared in accordance with IFRSs and IFRS 1 First-time Adoption of International Financial Reporting Standards as endorsed by Saudi Organization for Certified Public Accountants (SOCPA) in the Kingdom of Saudi Arabia as well as other standards and pronouncements endorsed by SOCPA. In preparing these financial statements, the Company's opening statement of financial position was prepared as at January 1, 2017 the Company's date of transition to IFRS. Explanations of how the transition to IFRS has affected the reported amounts of statement of financial position, statements of comprehensive income, changes in equity and cash flows of the Company are provided in Note 4.6.

4.1 Transition elections

The Company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

a. The Company has applied the transitional provisions in IAS 23 Borrowing Costs and capitalizes borrowing costs relating to qualifying assets after the date of transition.

b. The Company has applied the transitional provisions relating to decommissioning cost prospectively from January 1, 2017.

(All amounts in Saudi Riyals unless otherwise stated)

4 First time adoption of IFRS (continued)

4.2 Impact of IFRS transition on the statement of financial position as at January 1, 2017 (date of transition):

	Notes	Balances as per previous GAAP as at January 1, 2017	Impact of transition to IFRS	Balances as per IFRS as at January 1, 2017
Assets				
Non-current assets				
Property, plant and equipment	4.6.3 4.6.5	1,647,971,574	17,291,123	1,665,262,697
Investment accounted for using the equity method		7,667,174	-	7,667,174
Total non-current assets		1,655,638,748	17,291,123	1,672,929,871
Current assets				
Inventories	4.6.3	401,237,630	(18,535,129)	382,702,501
Trade receivables		113,851,582	-	113,851,582
Prepayments and other receivables		19,762,407	-	19,762,407
Due from related parties		97,545,558	-	97,545,558
Cash and cash equivalents		20,041,104	-	20,041,104
Total current assets		652,438,281	(18,535,129)	633,903,152
Total assets		**2,308,077,029**	**(1,244,006)**	**2,306,833,023**
Equity and Liabilities				
Equity				
Share capital		1,200,000,000	-	1,200,000,000
Statutory reserve		360,000,000	-	360,000,000
Retained earnings		133,375,465	(3,827,177)	129,548,288
Total equity		1,693,375,465	(3,827,177)	1,689,548,288
Non-current liabilities				
Long-term borrowings	4.6.5	48,000,000	(1,767,725)	46,232,275
Employee benefits obligations	4.6.4	27,845,428	342,596	28,188,024
Provision for decommissioning costs	4.6.2	-	5,095,821	5,095,821
Total non-current liabilities		75,845,428	3,670,692	79,516,120
Current liabilities				
Trade payables		16,453,475	-	16,453,475
Accruals and other payables		93,873,018	(1,607,756)	92,265,262
Dividend payable		4,372,293	-	4,372,293
Short term borrowings		395,000,000	-	395,000,000
Current portion of long-term borrowings		15,000,000	520,235	15,520,235
Zakat provision		14,157,350	-	14,157,350
Total current liabilities		538,856,136	(1,087,521)	537,768,615
Total liabilities		614,701,564	2,583,171	617,284,735
Total equity and liabilities		2,308,077,029	(1,244,006)	2,306,833,023

(All amounts in Saudi Riyals unless otherwise stated)

4 First time adoption of IFRS (continued)

4.3 Impact of IFRS transition on the statement of financial position as at December 31, 2017

	Notes	Amounts as per previous GAAP for the year ended December 31, 2017	Impact of transition to IFRS	Amounts as per IFRS for the year ended December 31, 2017
Assets				
Non-current assets				
Property, plant and equipment	4.6.1 4.6.2 4.6.3 4.6.5	1,525,701,430	64,627,065	1,590,328,495
Investment accounted for using the equity method		6,018,798	-	6,018,798
Total non-current assets		1,531,720,228	64,627,065	1,596,347,293
Current assets				
Inventories, net	4.6.3	371,012,904	(18,535,129)	352,477,775
Accounts receivable, net		82,538,661	-	82,538,661
Prepayments and other receivables		12,126,282	-	12,126,282
Due from related parties		39,605,455	-	39,605,455
Cash and cash equivalents		9,774,919	-	9,774,919
Total current assets		515,058,221	(18,535,129)	496,523,092
Total assets		2,046,778,449	46,091,936	2,092,870,385
Equity and liabilities				
Equity				
Share capital		1,200,000,000	-	1,200,000,000
Statutory reserve		360,000,000	-	360,000,000
Retained earnings	4.6	62,371,660	40,247,009	102,618,669
Total equity		1,622,371,660	40,247,009	1,662,618,669
Non-current liabilities				
Long-term borrowings	4.6.5	28,000,000	(638,449)	27,361,551
Employee benefit obligations	4.6.4	16,844,991	1,820,244	18,665,235
Provision for decommissioning costs	4.6.2	-	6,094,241	6,094,241
Total non-current liabilities		44,844,991	7,276,036	52,121,027
Current liabilities				
Accounts payable		11,804,390	-	11,804,390
Accruals and other payables		54,380,541	(1,804,341)	52,576,200
Dividend payable		4,267,762	-	4,267,762
Short term borrowings		274,466,402	-	274,466,402
Current portion of long term borrowings		20,000,000	373,232	20,373,232
Zakat provision		14,642,703	-	14,642,703
Total current liabilities		379,561,798	(1,431,109)	378,130,689
Total liabilities		424,406,789	5,844,927	430,251,716
Total equity and liabilities		**2,046,778,449**	**46,091,936**	**2,092,870,385**

(All amounts in Saudi Riyals unless otherwise stated)

4 First time adoption of IFRS (continued)

4.4 Impact of IFRS transition on the statement of profit or loss and other comprehensive income for the year ended December 31, 2017

	Note	Amounts as per previous GAAP for the year ended December 31, 2017	Impact of transition to IFRS	Amounts as per IFRS for the year ended December 31, 2017
Sales		554,388,410	-	554,388,410
Cost of sales	4.6.1	(383,532,693)	46,665,380	(336.867,313)
Gross profit		170,855,717	46,665,380	217,521,097
Selling and distribution expenses		(2,509,089)	-	(2,509,089)
General and administrative expenses	4.6.1	(29,032,930)	542,768	(28,490,162)
Other operating income		757,900	-	757,900
Operating profit		140,071,598	47,208,148	187,279,746
Share in net loss of an associate		(848,374)	-	(848,374)
Financial costs	4.6.5	(15,834,381)	(1,784,110)	(17,618,491)
Profit before zakat		123,388,843	45,424,038	168,812,881
Zakat expenses		(992,648)	-	(992,648)
Profit for the year		122,396,195	45,424,038	167,820,233
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Gain on remeasurements of employee benefit obligations	4.6.4	-	(1,349,852)	(1,349,852)
Other comprehensive income for the period		-	(1,349,852)	(1,349,852)
Total comprehensive income for the year		122,396,195	44,074,186	166,470,381

4.5 Impact of IFRS transition on the statement of cash flows for the year ended December 31, 2017

	Amounts as per previous GAAP for the year ended December 31, 2017	Impact of transition to IFRS	Amounts as per IFRS for the year ended December 31, 2017
Net cash flows from operating activities	346,341,162	(16,816,654)	329,524,508
Net cash flows from investing activities	(11,734,837)	-	(11,734,837)
Net cash flows from financing activities	(344,872,510)	16,816,654	(328,055,856)
Net change in cash and cash equivalents	(10,266,185)	-	(10,266,185)
Cash and cash equivalents, beginning of the year	20,041,104	-	20,041,104
Cash and cash equivalents, end of the year	9,774,919	-	9,774,919

(All amounts in Saudi Riyals unless otherwise stated)

4 First time adoption of IFRS (continued)

4.6 Explanations of IFRS adjustments

4.6.1 Change in the estimated useful lives and residual value of property and equipment

Under IFRS that are endorsed in the KSA, useful lives of assets and residual values are required to be reviewed at the end of each reporting period. The assessment of useful life and residual value concept was not a followed practice in the KSA before transition into IFRS that are endorsed in the KSA. As a part of IFRS transition, the Company re-assessed the useful life of certain categories of the property and equipment by benchmarking them against the industrial best practices and expected pattern of usage and determined residual value. Based on such assessment, the Company made following revisions in the useful life of certain categories of property and equipment from January 1, 2017:

Category	**Original useful life**	**Revised useful life**
Buildings, constructions and internal roads	20 – 30	20 – 40
Machinery and equipment	10 – 30	10 – 40

Accordingly, this revision represents a change in estimate resulting in reduction of accumulated depreciation and corresponding increase in the retained earnings at December 31, 2017 amounting to Saudi Riyals 47.9 million.

4.6.2 Provision for decommissioning costs

The Company had constructed the factory on lease land. The agreement for the lease requires the Company to handover the land in its original condition at the end of the lease term. Under IFRS, the Company is required to make a provision for these costs at the inception of the lease contract at present value. Therefore, the management recognised decommissioning cost and the related provision amounting to Saudi Riyals 5.1 million at the transition date. At December 31, 2017, the property, plant and equipment balance was decreased by Saudi Riyals 0.25 million due to depreciation on the decommissioning cost recognised and related decomissioning provision increased by Saudi Riyals 0.99 million at December 31, 2017.

4.6.3 Inventories

Under SOCPA, the Company classified certain spares parts amounted to Saudi Riyals 18.54 million as inventory; upon transition, the management has reclassified to property, plant and equipment. At January 1, 2017 and December 31, 2017, the Company has charged depreciation amounted to Saudi Riyals 2.4 million and Saudi Riyals 0.62 million to cost of sales.

4.6.4 Employee benefit obligations

Under SOCPA, the Company accrues and charges the employees' terminal benefits required by Saudi Labor and Workman Law to the Statement of Income based on a particular calculation of the liability. Termination payments under Saudi Laws and regulations are based on the employees' final salaries, allowances and cumulative years of service. Under IFRS, employees related liabilities must be recognized on an actuarial basis against retained earnings. At January 1, 2017 and December 31, 2017, an increase of Saudi Riyals 0.34 million and Saudi Riyals 1.8 million was recognized in the employees' termination benefits respectively.

4.6.5 Borrowings

During 2014, the Company obtained the loan from SIDF (note 14) and paid upfront fee of Saudi Riyals 7 million that was immediately capitalized in property, plant and equipment and started to depreciate that borrowing cost, and subsequently paid other fees to SIDF and recognized in the statement of comprehensive income. At January 1, 2017, the Company has adopted the treatment and as a result, the property, plant and equipment was decreased by Saudi Riyals 3.9 million while the amortized cost of the borrowings has resulted into decreased borrowings balance by Saudi Riyals 1.2 million which is charged to accrued expenses. At January 1, 2017, the impact arising from the above are charged to retained earnings.

(All amounts in Saudi Riyals unless otherwise stated)

5. Property, plant and equipment

	Note	Land	Buildings, constructions and internal roads	Machinery and equipment	Vehicle and transportation equipment	Furniture and fixture	Capital work in progress	Total
As of January 1, 2017								
Cost		19,889,032	838,972,968	1,664,853,199	11,984,043	21,785,364	74,233,472	2,631,718,078
Accumulated Depreciation		-	(314,390,829)	(623,723,227)	(10,573,728)	(17,767,597)	-	(966,455,381)
Net book amount	4.2	19,889,032	524,582,139	1,041,129,972	1,410,315	4,017,767	74,233,472	1,665,262,697
Year ended December 31, 2017								
Opening net book amount		19,889,032	524,582,139	1,041,129,972	1,410,315	4,017,767	74,233,472	1,665,262,697
Additions		-	385,406	1,214,583	387,000	202,696	11,106,852	13,296,537
Transfer		-	5,994,439	60,931,990	-	-	(66,926,429)	-
Write-off		(1,500,000)	-	-	-	-	(7,307,044)	(8,807,044)
Disposal		-	(47,310)	-	(2,571,100)	(70,804)	-	(2,689,214)
Depreciation charge		-	(22,707,568)	(54,710,923)	(1,064,417)	(791,411)	-	(79,274,319)
Depreciation on disposal		-	17,779	-	2,468,027	54,032	-	2,539,838
Net book amount		**18,389,032**	**508,224,885**	**1,048,565,622**	**629,825**	**3,412,280**	**11,106,851**	**1,590,328,495**
As of December 31, 2017								
Cost		18,389,032	845,305,503	1,726,999,772	9,799,943	21,917,256	11,106,851	2,633,518,357
Accumulated depreciation		-	(337,080,618)	(678,434,150)	(9,170,118)	(18,504,976)	-	(1,043,189,862)
Net book amount	4.3	**18,389,032**	**508,224,885**	**1,048,565,622**	**629,825**	**3,412,280**	**11,106,851**	**1,590,328,495**
Year ended December 31, 2018								
Opening net book amount		18,389,032	508,224,885	1,048,565,622	629,825	3,412,280	11,106,851	1,590,328,495
Additions		-	-	10,934,963	-	1,257,222	13,925,603	26,117,788
Depreciation charge		-	(22,775,152)	(56,493,868)	(346,414)	(1,625,070)	-	(81,240,504)
Closing net book amount		18,389,032	485,449,733	1,003,006,717	283,411	3,044,432	25,032,454	1,535,205,779
As of December 31, 2018								
Cost		18,389,032	845,305,503	1,737,934,735	9,799,943	23,174,478	25,032,454	2,659,636,145
Accumulated depreciation		-	(359,855,770)	(734,928,018)	(9,516,532)	(20,130,046)	-	(1,124,430,366)
Net book amount		**18,389,032**	**485,449,733**	**1,003,006,717**	**283,411**	**3,044,432**	**25,032,454**	**1,535,205,779**

(All amounts in Saudi Riyals unless otherwise stated)

5 Property, plant and equipment (continued)

a. The buildings, contruction and internal roads of the Company are constructed on land parcels leased under renewable operating lease agreements with the Ministry of Petroleum and Mineral Resources ("Ministry") ranging from 20 Hijra years expiring on 13/09/1459H (corresponding to October 23, 2037).

b. There were no impairment charges in 2018 and 2017. Further, no borrowing costs were capitalized for property, plant and equipment during in 2018 and 2017.

c. Capital work in progress represents the cost incurred on the conversion project of line 1 in the factory.

d. Capital expenditure contracted for at the year-end but not incurred amounting to Saudi Riyals 3.4 million (2017: Saudi Riyals 25.1 million). Also see Note 31.

e. Depreciation charge for the year ended December 31, 2018 and 2017 has been allocated as follows:

	Note	2018	2017
Cost of revenue	22	**78,691,415**	77,426,040
Selling and distribution expenses	23	**278,095**	67,832
General and administrative expenses	24	**2,270,994**	1,780,447
		81,240,504	79,274,319

6 Investment accounted for using the equity method

	Ownership percentage			
	2018	**2017**	**2018**	**2017**
Bayd Al Riyadh Investment Company ("Bayd")	**40%**	40%	**-**	6,018,798

The principal activity of Bayd is trading of building materials.

Movement in investment accounted for using equity method is as follows:

	Note	December 31, 2018	December 31, 2017	January 1, 2017
January 1		**6,018,798**	7,667,174	10,202,058
Company's share of loss / profit		**-**	(848,376)	665,116
Dividends received		**-**	(800,000)	(3,200,000)
Reclassification to non-current assets held for sale *	7	**(6,018,798)**	-	-
December 31		**-**	6,018,798	7,667,174

(*) During 2018, the shareholders of Bayd decided to liquidate it. Accordingly, the investment was reclassified to non-current assets held for sale (note 7).

7 Non-current assets held for sale

On February 22, 2018, the Company and the other shareholder in Bayd Al Riyadh Investment Company decided to liquidate it. The Company's investment in it associate Bayd was previously classified as investment accounted for using equity method.

	Note	December 31, 2018	December 31, 2017	January 1, 2017
January 1		**-**	-	-
Reclassification from investment accounted for using the equity method	6	**6,018,798**	-	-
Collections from disposal of certain assets		**(3,200,000)**	-	-
December 31		**2,818,798**	-	-

Summarised financial information for the investment is provided below. The information disclosed reflects the amounts presented in the financial statements of the Bayd and not the Company's share of those amounts.

(All amounts in Saudi Riyals unless otherwise stated)

7 Non-current assets held for sale (continued)

Statement of financial position as of December 31 for Bayd:

	December 31, 2018	December 31, 2017	January 1, 2017
Non-current assets	**1,579,877**	7,879,877	11,724,779
Current assets	**8,391,120**	10,091,120	10,225,768
Current liabilities	**(2,628,265)**	(2,628,265)	(2,078,338)
Non-current liabilities	**(295,737)**	(295,737)	(704,274)
Net assets	**7,046,995**	15,046,995	19,167,935

Reconciliation to carrying amounts:

	2018	2017
Opening net assets	**15,046,995**	19,167,935
Loss for the year	**-**	(2,120,940)
Dividends paid	**-**	(2,000,000)
Payments for disposal of certain assets	**(8,000,000)**	-
Closing net assets	**7,046,995**	15,046,995
Company's share in %	**40%**	40%
Company's share in amount	**2,818,798**	6,018,798
Carrying amount	**2,818,798**	6,018,798

Income statement for the year ended December 31:

	2018	2017
Revenue	**5,152,893**	25,813,273
Loss for the year	**(763,104)**	(2,120,944)
Total comprehensive loss	**(763,104)**	(2,120,944)

The Company did not record any gains or losses from disposal of this investment.

8 Inventories

	December 31, 2018	December 31, 2017	January 1, 2017
Raw materials	**22,544,799**	78,427,131	75,379,495
Work in process	**162,001,505**	146,742,445	192,701,079
Spare parts and supplies, not held for sale	**137,230,881**	130,143,720	136,736,431
Finished products	**7,574,679**	9,397,433	9,861,901
	329,351,864	364,710,729	396,143,777
Less: provision for inventory obsolescence	**(12,232,954)**	(12,232,954)	(13,441,276)
	317,118,910	352,477,775	382,702,501

Movement in provision for inventory obsolescence is as follows:

	December 31, 2018	December 31, 2017	January 1, 2017
January 1	**12,232,954**	13,441,276	10,171,414
Additions	**-**	9,412,924	3,269,862
Write off	**-**	(10,621,246)	-
December 31	**12,232,954**	12,232,954	13,441,276

(All amounts in Saudi Riyals unless otherwise stated)

9 Trade receivables

	December 31, 2018	December 31, 2017	January 1, 2017
Trade receivable	**74,641,037**	86,160,249	118,073,170
Provision for doubtful debts	**(3,614,208)**	(3,621,588)	(4,221,588)
	71,026,829	82,538,661	113,851,582

Movement in provision for doubtful debts is as follows:

	December 31, 2018	December 31, 2017	January 1, 2017
January 1	**3,621,588**	4,221,588	3,743,631
Reversals	**(7,380)**	(600,000)	477,957
December 31	**3,614,208**	3,621,588	4,221,588

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been compared based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 12 month before December 31, 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the inflation rate of Saudi Arabia in which it sells its cement to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivable are considered as due after three months from invoice date. As at December 31, 2018, trade receivable of Saudi Riyals 21.8 million were past due but not impaired. These relate to a number of corporate customers from whom there is no history of default. The ageing analysis of these trade receivable is as follows:

	2018	2017
Not due	**49,052,055**	40,642,945
Due above 90 days	**25,588,982**	45,517,304
Total	**74,641,037**	86,160,249

The net carrying amounts of the Company's trade receivable are denominated in the Saudi Riyals.

The Company holds bank guarantees from most of its customers as security.

10 Prepayments and other receivables

	December 31, 2018	December 31, 2017	January 1, 2017
Advances to suppliers	**7,219,859**	8,034,649	9,975,812
Custom refunds	**2,805,272**	1,771,972	3,588,455
Prepaid insurance	**2,273,663**	984,225	51,474
Prepaid expenses	**2,054,847**	8,748	2,864
Employees receivable	**741,938**	1,326,688	6,143,802
	15,095,579	12,126,282	19,762,407

(All amounts in Saudi Riyals unless otherwise stated)

11 Cash and cash equivalents

	December 31, 2018	December 31, 2017	January 1, 2017
Cash on hand	**48,557**	45,388	729,365
Cash at banks	**13,634,694**	9,729,531	19,311,739
	13,683,251	9,774,919	20,041,104

12 Share capital

The share capital of the Company as of December 31, 2018 and 2017 comprises of 120,000,000 shares stated at Saudi Riyals 10 per share.

13 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 30% of its share capital. This has been achieved, the Company has resolved to discontinue such transfers. This reserve is not available for distribution to the shareholders.

14 Long-term borrowings

	December 31, 2018	December 31, 2017	January 1, 2017
SIDF loans	**28,253,260**	47,734,783	61,752,510
Less:			
Current maturity - shown under current liabilities	**(28,253,260)**	(20,373,232)	(15,520,235)
	-	27,361,551	46,232,275

Movements in unamortized transaction costs are as follows:

	2018	2017
January 1	**(265,217)**	(1,247,490)
Less: amortization	**518,477**	982,273
December 31	**253,260**	(265,217)

SIDF loan

Saudi Industrial Development Fund "SIDF" has granted the Company a loan amounting to Saudi Riyals 89 million to finance the expansion of the factory which will increase white cement production capacity. The loan bears finance charges which was paid in advance. The loan is repayable in twelve semi-annual unequal instalments starting June, 2014. The covenants of SIDF loan require the Company to maintain certain financial conditions.

Maturity profile of long-term borrowings

	December 31, 2018	December 31, 2017	January 1, 2017
Years ending December 31:			
2017	**-**	-	15,000,000
2018	**-**	20,000,000	20,000,000
2019	**28,000,000**	28,000,000	28,000,000
	28,000,000	48,000,000	63,000,000

(All amounts in Saudi Riyals unless otherwise stated)

15 Employee benefit obligations

15.6 General description of the plan

The Company operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment.

Movement of the present value of defined benefit obligations:

	December 31, 2018	**December 31, 2017**	**January 1, 2017**
1 January	**18,665,235**	28,188,024	37,227,264
Amounts recognised in the statement of comprehensive income	**1,816,472**	5,795,793	6,298,794
Payments during the year	**(2,847,046)**	(15,318,582)	(15,338,034)
December 31,	**17,634,661**	18,665,235	28,188,024

15.7 Amounts recognised in the statement of comprehensive income

The amounts recognised in the statement of comprehensive income related to employee benefit obligations are as follows:

	December 31, 2018	**December 31, 2017**	**January 1, 2017**
Current service cost	**4,427,153**	3,233,856	4,839,380
Interest expense	**802,606**	1,212,085	1,600,772
Total amount recognised in profit or loss	**5,229,759**	4,445,941	6,440,152
Remeasurements			
Gain from change in financial assumptions	**(1,079,859)**	350,837	(1,365,819)
Experience losses	**(2,333,428)**	999,015	1,224,461
Total amount recognised in other comprehensive income	**1,816,472**	5,795,793	6,298,794

15.8 Key actuarial assumptions

	December 31, 2018	**December 31, 2017**	**January 1, 2017**
Discount rate	**5.09%**	4.52%	4.86%
Salary growth rate	**3%**	3%	3%

15.9 Sensitivity analysis for actuarial assumptions

	Change in assumption		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	0.50%	(880,392)	942,641
Salary growth rate	0.50%	0.50%	957,634	(901,872)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

(All amounts in Saudi Riyals unless otherwise stated)

15 Employee benefit obligations (continued)

15.10 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 9.81 years (2017: 9.2 years). The expected maturity analysis of undiscounted post-employment benefits is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
December 31, 2018	**1,453,522**	**210,933**	**1,377,576**	**28,154,198**	**31,196,229**
December 31, 2017	924,700	238,701	12,757,854	11,268,491	25,189,745
January 1, 2017	528,855	131,067	862,353	53,617,381	55,139,656

16 Provision for decommissioning costs

	December 31, 2018	December 31, 2017	January 1, 2017
January 1	**6,094,241**	5,095,821	-
Addition during the year	**941,907**	998,420	5,095,821
December 31	**7,036,148**	6,094,241	5,095,821

17 Accrued and other payables

	December 31, 2018	December 31, 2017	January 1, 2017
Accrued query extraction fees	**14,481,739**	18,912,857	50,371,533
Contractors retentions	**14,510,849**	15,324,927	14,445,499
Accrued expenses	**6,623,085**	5,230,558	6,102,538
Accrued bonuses	**4,468,812**	4,079,423	8,922,974
Advances from customers	**3,928,730**	3,990,601	5,906,936
Accrued financial charges	**1,840,337**	2,550,490	5,258,093
Employee accruals	**336,920**	1,936,977	1,991,014
Others	**4,201,158**	550,367	874,431
	50,391,630	52,576,200	92,265,262

18 Short-term borrowings

	December 31, 2018	December 31, 2017	January 1, 2017
Murabaha Liquidity Financing (Tawarruq)	**175,184,597**	274,466,402	395,000,000

These represents borrowing facilities obtained from local commercial banks and bear financial charges at prevailing market rates which are based on Saudi inter-bank offer rate (SIBOR).

These borrowing facilities are secured by a corporates guarantee provided by the Company.

(All amounts in Saudi Riyals unless otherwise stated)

19 Zakat matters

19.1 Components of zakat base

	2018	2017
Amendment of net income		
Profit before zakat	**68,320,333**	123,388,843
Dividends paid from profit for the year	**-**	(55,756,773)
Provisions	**2,750,998**	13,131,069
Share of net income of associate	**-**	848,374
Depreciation differences	**-**	(6,737)
Amended net income	**71,071,331**	81,604,776
Zakat base		
Share capital	**1,200,000,000**	1,200,000,000
Statutory reserve	**360,000,000**	360,000,000
Retained earnings	**45,162,508**	-
Provisions	**51,325,524**	33,218,519
Amended net income	**71,071,331**	81,604,776
Loans used to finance long-term assets	**8,184,596**	-
SIDF loan	**28,253,260**	48,000,000
Less:		
Property, plant and equipment	**(1,510,173,325)**	(1,514,594,579)
Capital work in progress	**(25,032,454)**	(11,106,851)
Investment in associate	**-**	(6,867,172)
Due from related party	**(1,436,661)**	(1,869,924)
Spare parts	**(137,230,881)**	(148,678,849)
Zakat base	**90,123,898**	39,705,920
Zakat due at 2.5%	**2,253,097**	992,648
Less: Ministry of Finance share in zakat libility due at 6.48%	**(148,328)**	-
Zakat liability	**2,104,769**	992,648

19.2 Provision for zakat

	2018	2017
January 1	**14,642,703**	14,157,350
Provision for the year	**2,140,686**	992,648
Payment during the year	**(1,084,151)**	(507,295)
December 31	**15,699,238**	14,642,703

19.3 Status of final assessments

The Company finalized its zakat status with GAZT up to year ended 2007. The Company filed its zakat returns for the years ended 2008 to 2017 and obtained the required certificates. The GAZT has not finalized the Company's assessment of the above-mentioned years.

GAZT reopened the assessment for the years 2001 and 2002 and claimed withholding tax due on non-resident parties amounting to Saudi Riyals 2,489,146. The Company objected against the said assessment which is still under study by GAZT.

(All amounts in Saudi Riyals unless otherwise stated)

20 Related party transactions and balances

Related parties comprise the shareholders, directors, associate company, key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

(a) Major shareholder

Following is a major shareholder of the Company:

Name	Place of incorporation	Ownership interest %	
		2018	**2017**
Rashed and Partners Development Company Limited	Saudi Arabia	**20.88**	20.88

(b) Following are the significant transactions with related parties:

	2018	**2017**
Revenue	**73,548,192**	114,698,002
Amount collected in respect of revenue	**77,659,640**	111,749,657

(c) Key management personnel compensation:

	2018	**2017**
Salaries and other short-term employee benefits	**6,147,204**	5,892,699
Post employment benefits	**1,177,185**	1,210,031

(d) Directors and other committees' remuneration and related expenses

	2018	**2017**
Board of directors' remuneration	**1,400,000**	1,400,000
Board of Directors' attendance fees and expenses	**290,242**	429,890
Audit committees' attendance fees and expenses	**344,250**	125,000
	2,034,492	1,954,890

(e) Due from related parties

	December 31, 2018	**December 31, 2017**	**January 1, 2017**
Rashed Abdul Rahman Al Rashed & Sons Company	**34,501,533**	35,527,664	38,774,766
Precast Building System Company	**992,474**	1,170,670	-
Tawa Development Company (*)	**-**	-	56,221,061
Bayd Al Riyadh Investment Company	**-**	2,907,121	2,549,731
	35,494,007	39,605,455	97,545,558

(*) As of December 31, 2016 one of the shareholders had an ownership percentage in Tawa Development Co. During April, 2017 the shareholder9 has sold his shares in Tawa Development Company to a third party. Thus, the respective receivable balance from Tawa Development Company has been reclassified to accounts receivable.

(All amounts in Saudi Riyals unless otherwise stated)

21 Revenue

	2018	2017
Revenue from sales of cement	**393,681,750**	554,388,410

The Company derives revenue from the sale of cement at a point in time in the following major product lines:

	2018	2017
White cement	**117,934,726**	115,107,716
Grey cement	**275,747,023**	439,280,694
	393,681,749	554,388,410

22 Cost of revenue

	Note	2018	2017
Raw materials consumed		**83,028,311**	118,435,181
Depreciation	5	**78,691,415**	77,426,040
Salaries and wages		**66,205,919**	73,406,875
Spare parts consumed		**31,810,133**	21,726,394
Query extraction fees		**14,175,698**	12,715,287
Packing		**12,785,626**	11,768,788
Repairs and maintenance		**5,037,168**	6,732,378
Insurance		**1,172,814**	1,214,903
Provision for inventory obsolescense	8	**-**	9,412,924
Others		**1,535,277**	4,028,543
		294,442,361	336,867,313

23 Selling and distribution expenses

	Note	2018	2017
Employee related costs		**2,283,634**	2,322,868
Depreciation	5	**278,095**	67,832
Others		**54,636**	118,389
		2,616,365	2,509,089

24 General and administrative expenses

	Note	2018	2017
Salaries and other benefits		**12,942,369**	13,850,527
Depreciation	5	**2,270,994**	1,780,447
Professional fees		**837,955**	833,936
Postage and telephone		**444,055**	766,733
Board of directors allowances		**290,242**	429,890
Office supplies		**234,355**	277,015
Utilities		**203,299**	247,111
Write off of capital work in progress	5	**-**	7,307,044
Write off of property, plant and equipment	5	**-**	1,500,000
Others		**655,371**	1,497,459
		17,878,640	28,490,162

25 Finance cost

	2018	2017
Interest on borrowings	**10,896,038**	17,466,419
Others	**1,144,070**	152,072
	12,040,108	17,618,491

26 Financial risk management

26.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the management under policies approved by the board of directors.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Control department. Internal Control department undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Market risk

(i) Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are primarily in Saudi Riyals and United States dollars. Since Saudi Riyal is pegged to United States dollars, management of the company believes that the currency risk for the financial instruments is not significant.

(ii) Fair value and cash flow interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company borrows at interest rates on commercial terms.

Borrowings issued at variable rates expose the to cash flow interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk. During 2018 and 2017, the Company's borrowings were denominated in audi Riyals.

The long-term borrowings from a commercial bank carry fixed rates of interest. The analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favourable to the Company. At December 31, 2018, if the interest rate were to shift by 0.5%, there would be a maximum increase or decrease in the interest expense by Saudi Riyals 0.5 million (2017: Saudi Riyals 0.3 million).

The short-term borrowing interest rates with banks are subject to change upon re-negotiation of the facilities, which takes place on at frequent intervals in the case of other short-term borrowings. At December 31, 2018, if the interest rate were to shift by 0.5%, there would be a maximum increase or decrease in the interest expense by Saudi Riyals 1.17 million (2017: Saudi Riyals 1.79 million).

(iii) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company's financial assets and liabilities are not exposed to price risk.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Sales to customers are required to be settled in cash, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

(All amounts in Saudi Riyals unless otherwise stated)

26 Financial risk management (continued)

The Company's maximum exposure to credit risk at the reporting date is as follows;

	2018	**2017**
Financial assets		
Trade receivables	**74,641,037**	86,160,249
Cash and cash equivalents	**13,683,251**	9,774,919
	88,324,288	95,935,168

To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. Outstanding customer receivables are regularly monitored.

For almost all trade receivables, the Company has obtained the security in the form of bank guarantees, which can be called upon if the counterparty is in default under the terms of the agreement.

(c) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Company has access to credit facilities.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal ratio targets.

The table below analyses the Company's financial liabilities into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Less than one year	**1 to 2 Years**	**2 to 5 years**	**Total**
2018				
Long-term borrowings	28,000,000	-	-	28,000,000
Future interest on long-term loans	253,260	-	-	253,260
Short-term borrowings	177,024,934	-	-	177,024,934
Accrued and other payables	48,551,294	-	-	48,551,294
Trade payables	21,488,177	-	-	21,488,177
	275,317,665	-	-	**275,317,665**

	Less than one year	**1 to 2 Years**	**2 to 5 years**	**Total**
2017				
Long-term borrowings	20,000,000	28,000,000	-	48,000,000
Future interest on long-term loans	373,232	(265,217)	-	108,015
Short-term borrowings	277,016,892	-	-	277,016,892
Accrued and other payable	50,025,710	-	-	50,025,710
Trade payables	11,804,390	-	-	11,804,390
	359,220,224	27,734,783	-	386,955,007

(All amounts in Saudi Riyals unless otherwise stated)

26 Financial risk management (continued)

26.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the statement of financial position, less cash and cash equivalent and short-term deposits. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at December 31, were as follows:

	2018	2017
Total borrowings	**203,437,857**	322,201,185
Less: cash and bank balances	**(13,683,251)**	(9,774,919)
Net debt	**189,754,606**	312,426,266
Total equity	**1,673,872,301**	1,660,849,955
Total capital	**1,673,872,301**	1,660,849,955
Gearing ratio	**11.34%**	18.81%

26.3 Fair value estimation

As at December 31, 2018 and 2017, the fair values of the Company's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature, bear no interest, except for short-term deposits which are at prevailing market rates and are expected to be realized at their current carrying values within twelve months from the date of statement of financial position

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the company has access at that date. The fair value of a liability reflects its non-performance risk.
A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The company has established practices with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including level three fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS that are endorsed in the Kindgdom of Saudi Arabia, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(All amounts in Saudi Riyals unless otherwise stated)

26 Financial risk management (continued)

26.3 Fair value estimation (continued)

The table below presents the financial assets at their fair values as at December 31, 2018 and 2017 based on the fair value hierarchy:

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Trade receivables	**-**	**-**	**71,026,829**	**71,026,829**
Other receivables	**-**	**-**	**3,547,209**	**3,547,209**
Due from related parties	**-**	**-**	**15,095,579**	**15,095,579**
Non-current assets classified as held for sale	**-**	**-**	**2,818,800**	**2,818,800**
Cash and cash equivalents	**13,683,251**	**-**	**-**	**13,683,251**
	13,683,251	**-**	**92,488,417**	**106,171,668**
Liabilities				
Trade payables	**-**	**-**	**21,488,177**	**21,488,177**
Accrued and other payables	**-**	**-**	**50,391,632**	**50,391,632**
Short-term borrowings	**-**	**-**	**175,184,597**	**175,184,597**
Long-term borrowings	**-**	**-**	**28,253,260**	**28,253,260**
	-	**-**	**275,317,665**	**275,317,665**

2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Investment accounted for using the equity method	-	-	6,018,798	6,018,798
Trade receivables	-	-	86,160,249	86,160,249
Other receivables	-	-	3,098,660	3,098,660
Due from related parties	-	-	39,605,455	39,605,455
Cash and cash equivalents	9,774,919	-	-	9,774,919
	9,774,919	-	134,883,162	144,658,081
Liabilities				
Trade payables	-	-	11,804,390	11,804,390
Accrued and other payables	-	-	52,576,200	52,576,200
Short-term borrowings	-	-	274,466,402	274,466,402
Long-term borrowings	-	-	47,734,783	47,734,783
	-	-	386,581,775	386,581,775

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. During the years ended December 31, 2018 and 2017, there were no transfers into or out of Level 3 fair value measurements.

As at December 31, 2018 and 2017, the face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values. The fair values of the non-current financial liabilities are considered to approximate to their carrying amounts as these carry interest rates which are based on market interest rates.

(All amounts in Saudi Riyals unless otherwise stated)

27 Financial instruments

(a) Categories of financial instruments

The accounting policies for financial instruments have been applied to the line items below:

2018	Financial assets carried at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Assets as per statement of financial position				
Trade receivables	**71,026,829**	-	-	**71,026,829**
Other receivables	**3,547,209**	-	-	**3,547,209**
Due from related parties	**35,494,007**	-	-	**35,494,007**
Cash and cash equivalents	**13,683,249**	-	-	**13,683,249**
Total	**99,805,657**	-	-	**99,805,657**

2017	Financial assets carried at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Assets as per statement of financial position				
Trade and other receivables	86,160,249	-	-	86,160,249
Other receivables	3,098,660	-	-	3,098,660
Due from related parties	39,605,455	-	-	39,605,455
Cash and cash equivalents	9,774,919	-	-	9,774,919
Total	138,639,283	-	-	138,639,283

	At amortised cost	
December 31,	**2018**	**2017**
Liabilities as per statement of financial position		
Long-term borrowings	**-**	27,361,551
Current portion of long-term borrowings	**28,253,260**	20,373,232
Trade payables	**21,488,177**	11,804,390
Accrued and other payables	**30,832,925**	36,788,274
Short-term borrowings	**175,184,597**	274,466,402
Total	**255,758,959**	370,793,849

For the purpose of the financial instruments disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 11.55 million and Saudi Riyals 19.56 million, respectively (2017: Saudi Riyals 9.03 million; Saudi Riyals 15.79, respectively) have been excluded from prepayment and other receivables and accrued expenses and other payables, respectively.

(b) Credit quality of financial assets

As per the credit policy of the Company, customers are extended a credit period of up to 90 days in the normal course of business. However, in some cases, due to the market conditions and historical business relationship with the customer the credit period may be extended by a further period of 90 days. The credit quality of financial assets is determined by the customers' history of meeting commitments, market intelligence related information and management's trade experience. External ratings generally are not available in the environment in which the company operates.

(All amounts in Saudi Riyals unless otherwise stated)

27 Financial instruments (continued)

With respect to exposures with banks, management considers the credit risk exposure to be minimal as the Company deals with reputed local banks only. Management does not expect any losses from non-performance by these counterparties.

28 Operating leases

The Company has operating leases for its factory land. Rental expenses for the year ended December 31, 2018 amounted to Saudi Riyals 0.8 million (2017: Saudi Riyals 3.8 million).

Future rental commitments under non-cancellable operating leases are as follows:

	2018	2017
2018	**-**	517,700
2019	**517,700**	517,700
2020	**517,700**	517,700
2021	**517,700**	517,700
2022	**517,700**	517,700
Thereafter	**2,329,650**	2,329,650
	4,400,450	4,918,150

29 Earnings per share

Earnings per share have been calculated by dividing the profit for the year of the Company by the weighted average number of shares outstanding during the year.

	2018	2017
Profit for the year	**66,179,647**	167,820,233
Weighted average number of shares	**120,000,000**	120,000,000
Basic earnings per share (Saudi Riyals per share)	**0.55**	1.4

The Company does not have any dilutive potential shares.

30 Dividends

The Company's board of directors have approved dividends amounting to Saudi Riyals 60,000,000 (2017: Saudi Riyals 192,000,000).

31 Contingencies and commitments

The Company was contingently liable for guarantees and letters of credit from commercial banks as at December 31, 2018 for an amount of Saudi Riyals 18.1 million (December 31, 2017: Saudi Riyals 27.5 million).

The Company has capital commitments in relation with contracts for constructing property and equipment as at December 31, 2018 amounting to Saudi Riyals 3.4 million (December 31, 2017: Saudi Riyals 25.1 million).

Also see note 28 for operating lease commitment.