NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
THE FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2019

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FOR THE YEAR ENDED DECEMBER 31, 2019

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AlKharashi & Co.
Certified Accountants And Auditors

Report on the Audit of the Financial Statements

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

Opinion:
We have audited the financial statements of **Najran Cement Company** (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

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

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

Key audit matters	**How the matter was addressed in our audit**
Adoption of International Financial Reporting Standard No 16 for the first time: In accordance with the regulatory requirements to apply IFRS 16 as from 1 January 2019, and related matters may materially affect the Company's financial statements, further review procedures are required to ascertain the impact of these standards, so we consider them as a key audit matter.	Our procedures included examining • The company's procedures and policies have been reviewed in order to start applying the standard of the International Report No. 16 by the company. • Ensure that procedures and policies are compatible with the implementation of these standards for the first time. • The effect of applying these standards for the first time has been verified.

Other information included in the Company's annual report for the year ended 31 December 2019

Other information consists of other information included in the Company's annual report for the year ended 31 December 2019, other than the financial statements and the auditors' report thereon. We obtained the report of Board of Directors, prior to the date of our Auditors' report and we expect to obtain the remaining section of the 2019 Annual Report after the date of this auditor's report. The Company's management is responsible for the other information mentioned in its annual report .

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

Article (135) of the Companies Law requires the auditor to include in his report what he has found to be violations of the provisions of the Law or the provisions of the Company's Articles of Association. During our audit of the financial statements, we did not find the Company's violation of the provisions of the Companies Law or the provisions of the Company's Articles of Association.

For Al-Kharashi Co.

الخراشي وشركاه
محاسبون ومراجعون قانونيون
ترخيص : ٥٣٦
Lic.: 536
Certified Accountants & Auditors
AL-Kharashi Co.

Sulieman A. Al-Kharashi
License No. (91)

Riyadh:
Jumada II 30,1441H
February 24, 2020G

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019
(Expressed in '000' Saudi Riyals)

	NOTES	December 31, 2019	December 31, 2018
ASSETS			
NON- CURRENT ASSETS			
Property, plant and equipment	6	2,085,065	2,134,071
Intangible assets	7	4,075	4,080
Total non current assets		2,089,140	2,138,151
CURRENT ASSETS:			
Store, spare parts and loose tools	8	112,657	115,717
Stock in trade	9	207,108	267,144
Trade receivables	10	33,469	30,580
Prepayments and other receivables	11	19,802	13,863
Cash and cash equivalents	12	22,152	12,024
Total current assets		395,188	439,328
TOTAL ASSETS		**2,484,328**	**2,577,479**
EQUITY AND LIABILITIES:			
EQUITY:			
Share capital	1	1,700,000	1,700,000
Statutory reserve		108,411	103,059
Retained earnings		175,128	130,569
TOTAL EQUITY		1,983,539	1,933,628
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Provision for employees' terminal benefits	13	29,222	25,629
Non-current portion of lease liability	14	6,486	-
Long term financing	15	30,000	490,000
Total non current liabilities		65,708	515,629
CURRENT LIABILTIES:			
Provision for zakat	16	19,241	20,486
Current portion of lease liability	14	425	-
Current portion of long term financing	15	370,908	61,170
Advances from customers and related parties		4,232	4,275
Trade payables		22,929	25,727
Accrued and other payables	17	17,346	16,564
Total current liabilities		435,081	128,222
TOTAL LIABILITIES		500,789	643,851
TOTAL EQUITY AND LIABILITIES		**2,484,328**	**2,577,479**

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

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in '000' Saudi Riyals)

	NOTES	December 31, 2019	December 31, 2018
Turnover - Net		416,406	278,413
Cost of revenue	18	(297,954)	(292,366)
Gross profit / (loss)		118,452	(13,953)
Selling and distribution expense	19	(7,756)	(5,695)
General and administrative expense	20	(26,521)	(29,568)
Operating profit / (loss) for the year		84,175	(49,216)
Finance cost	21	(26,079)	(26,893)
Other income		1,566	16
Net profit / (loss) for the year before zakat		59,662	(76,093)
Zakat expense	16	(6,147)	(7,407)
Net Profit / (loss) for the year after zakat		**53,515**	**(83,500)**
Other Comprehensive (loss) / Income			
Items that will not be reclassifed to profit or loss			
Re-measurements of employee benefit liability	13	(604)	1,893
Other Comprehensive (loss) / Income		**(604)**	1,893
Total Comprehensive Income / (Loss) For The Year		**52,911**	**(81,607)**
Basic earnings per share (SAR)			
Net profit / (loss) for the year		**0.31**	**(0.49)**
Total comprehensive profit / (loss) for the year		**0.31**	**(0.48)**
Weighted average number of ordinary shares (No: '000')		**170,000**	**170,000**

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

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in '000' Saudi Riyals)

	Capital	Statutory Reserve	Retained Earnings	Total
As at January 01, 2018	1,700,000	103,059	225,824	2,028,883
Net (loss) for the year	-	-	(83,500)	(83,500)
Other comprehensive gain for the year	-	-	1,893	1,893
Adjustment for IFRS-9 adoption	-	-	(10,698)	(10,698)
Directors' remuneration	-	-	(2,950)	(2,950)
Balance as at December 31, 2018	**1,700,000**	**103,059**	**130,569**	**1,933,628**
Net profit for the year	-	-	53,515	53,515
Transferred to Statutory Reserve	-	5,352	(5,352)	-
Other comprehensive (loss) for the year	-	-	(604)	(604)
Directors' remuneration	-	-	(3,000)	(3,000)
Balance as at December 31, 2019	**1,700,000**	**108,411**	**175,128**	**1,983,539**

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

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in Saudi Riyals)

	NOTES	December 31, 2019	2018
Cash flows from operating activities:			
Profit / (loss) before zakat	5	59,662	(76,093)
Adjustments to reconcile net profit for the year to net cash generated from operational activities:			
Depreciation	6	77,328	92,731
Amortization		50	185
(Gain) on sale of property, plant and equipment		(14)	343
Provision for potential claims (net)		(1,404)	1,404
Projects written back		-	109
Provision for bad debts - net		(413)	126
Finance cost		26,079	26,893
Provision for employees' terminal benefits		4,428	4,750
Operating cash flow before working capital changes		**165,716**	**50,448**
Changes in operating assets and liabilities:			
Trade receivables		(2,660)	7,896
Store, spare parts and loose tools		3,060	6,208
Stock in trade		60,037	38,443
Prepayments and other receivables		(5,918)	1,947
Advances from customers		180	(985)
Trade payables		(2,798)	(2,364)
Accrued and other payables		2,196	(2,996)
Cash generated from operations:		**219,813**	**98,597**
Zakat paid		(7,392)	(11,264)
Finance charges paid		(26,341)	(26,441)
End of service benefits paid		(1,439)	(2,594)
Net cash generated from operating activities		**184,641**	**58,298**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(21,161)	(2,434)
Purchase of intangible assets		(45)	(1,230)
Movements in spare parts held for capital use (strategic)		(115)	(453)
Payment to contractors (Capital work in progress)		(2)	(2,247)
Proceeds from sale of property, plant and equipment		272	65
Net cash (used in) investing activities		**(21,051)**	**(6,299)**
Cash flows from financing activities:			
Repayment of long term debts		(150,000)	(50,000)
Repayment of lease liability		(412)	-
Dividends paid		-	(33)
Board of directors' remuneration paid		(3,050)	(3,000)
Net cash (used in) financing activities		**(153,462)**	**(53,033)**
Increase / decrease in cash and cash equivalents		10,128	(1,034)
Cash and cash equivalents at the beginning of the year		12,024	13,058
Cash and cash equivalents at the end of the year	12	**22,152**	**12,024**

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

1. CORPORATE INFORMATION

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

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

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

2. STATEMENT OF COMPLIANCE

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

3. FUNCTIONAL AND PRESENTATION CURRENCY

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

4. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS:

(a) Standards, amendments and interpretations effective as at January 1, 2019

The Company has adopted the new accounting standards which have been effective this year as follows:

- IFRS 16 - Leases- requiring company to bring most of the operating leases in statement of financial position effective from January 1, 2019

IFRS 16 defines leases as recognition, measurement, presentation and disclosure of leases. The Standard introduces a single accounting model that requires tenants to recognize the assets and liabilities of all leases except if the lease term is 12 months or less or the underlying asset of the contract is of low value. Lenders continue to classify lease contracts as operating or financing within the meaning of IFRS 16, Accounting for Lessor without significant change to IAS 17. This standard is effective at the beginning of January 1, 2019.

(Expressed in '000' Saudi Riyals)

4. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (CONTINUED):

(b) Standards, amendments and interpretations effective in 2019 but not relevant for the Company's operations

The following standards, amendments and interpretations have been issued and are effective for the year but are either not relevant to the operations of the Company or don't have significant impact on these financial statements:

- Amendments to IFRS 9 in respect of Prepayment features with negative compensation.
- Amendments to IAS 28 in respect of Long-term interests in Associates and Joint Ventures.
- Amendments to IAS 19 in respect of Plan amendment, curtailment or settlement.
- IFRIC 23-Uncertainty over income tax treatments.

(c) Standards, amendments and interpretations issued but are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations have been issued but are not yet effective and have not been early adopted by the Company:

- IFRS 17-Insurance Contracts.
- Amendments to references to conceptual framework in IFRS Standards.
- Amendments to IFRS 3 in respect of Definition of Business
- Amendments to IAS 1 and IAS 8 in respect Definition of Materiality.

Changes in significant accounting policies:
IFRS 16 "Leases":

From the current year, the Company has adopted IFRS No.16 Leases, Where the right to use of leased asset is recognized as asset in addition to the lease liability that represents its obligation to pay the rent payments. There are also optional exemptions for short-term leases and leases for assets of low value.
The Company has chosen the "modified retrospective" approach whereby all contracts are deemed to start on the date of initial application, i.e. January 1, 2019, without impact on equity.
On transition to IFRS 16, the Company recognized additional right-of-use assets, and lease liabilities, as below:

	January 1, 2019
Right-of-use assets	7,302
Lease liabilities	7,325

The asset's right to use is measured and the lease obligation is recognized at the date of initial application of leases previously classified as operating leases at its book value, as if the standard had been applied since the inception of the lease duly discounted using the rate determined with reference to market yields at the end of the reporting period on high quality corporate bonds at the initial application date.

5. SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Basis of preparation

These financial statements have been prepared on a going concern basis under historical cost convention except for the Provision for employees' terminal benefits which are recorded at the present value of future obligations under Projected Unit Credit Method. These financial statements are presented in Saudi Riyals, which is the Company's presentation as well as functional currency.

5.2 Use of estimation and judgments

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

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

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

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

5.3 Going concern

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

5.4 Current versus non-current classification

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

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

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

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

The company classifies all other liabilities as non-current.

5.5 Fair Value Measurement

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

5.5 Fair Value Measurement (Continued):

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

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

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

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.
Loans having fixed maturities are recorded at discounted values based on the effective interest rate method.

5.6 Property, plant and equipment

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

5.6 Property, plant and equipment (Continued) :

Impairment of property, plant and equipment

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

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

5.7 Intangible assets

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

5.8 Inventories

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

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

5.9 Trade receivable

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

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

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

5.10 Cash and Cash Equivalents

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

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.11 Offsetting

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

5.12 Zakat and Income Tax

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

5.13 Trade and accounts payables

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

5.14 Provisions and other liabilities

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

5.15 Defined benefits obligation- employees' benefits

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.16 IFRS 16 Leases and right of use assets

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The assets and liabilities from the lease are initially recognized and measured at the present value. Each lease payment is distributed between liabilities and financing cost. The cost of financing is charged to profit or loss over the lease term. The asset's right to use is amortized over the useful life of the asset or the term of the lease, whichever is shorter, on a straight-line basis.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

5.17 Statutory reserve

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

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.18 Contingent assets and liabilities

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

5.19 Revenue Recognition

Revenue is measured under IFRS 15 at the fair value of the consideration received or receivable and is shown net of sales returns and discounts. Revenue is recognized on the completion of performance obligation where the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns and trade discounts.

5.20 Foreign currency Translations

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

5.21 Cost of revenue

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

5.22 Expenses

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

5.23 Earnings per share

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

5.24 Dividends and appropriations

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

5.25 Segment reporting

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

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.26 Settlement date accounting

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

(Expressed in '000' Saudi Riyals)

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Land lease (Right of use asset)	Buildings	Plant,quarry, machinery and other equipment	Vehicles	Furniture and fixtures, and office equipment	Computers	Assets held for future use (strategic)	Capital work in progress	Total
Cost:										
At January 1, 2019	2,563	-	1,163,204	1,858,605	21,840	13,131	4,316	38,376	1,628	3,103,663
Additions during the year	-	7,302	-	2,207	18,770	38	146	115	2	28,580
Disposals during the year	-	-	-	-	(1,280)	-	-	-	-	(1,280)
Transfers during the year	-	-	-	2,871	-	-	-	(2,871)	-	-
At December 31, 2019	2,563	7,302	1,163,204	1,863,683	39,330	13,169	4,462	35,620	1,630	3,130,963
Accumulated Depreciation:										
At January 1, 2019	-	-	309,644	631,127	17,734	8,477	2,610	-	-	969,592
Charge for the year	-	512	21,339	53,196	1,526	489	266	-	-	77,328
Disposals during the year	-	-	-	-	(1,022)	-	-	-	-	(1,022)
At December 31, 2019	-	512	330,983	684,323	18,238	8,966	2,876	-	-	1,045,898
Net Book Value:										
At December 31, 2019	**2,563**	**6,790**	**832,221**	**1,179,360**	**21,092**	**4,203**	**1,586**	**35,620**	**1,630**	**2,085,065**
At December 31, 2018	**2,563**	**-**	**853,560**	**1,227,478**	**4,106**	**4,654**	**1,706**	**38,376**	**1,628**	**2,134,071**

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

	December 31'	
	2019	2018
Cost of revenue	75,634	91,147
Selling and distribution expenses	834	453
General and administrative expenses	860	1,131
	77,328	92,731

7. INTANGIBLE ASSETS

	DECEMBER 31,	
	2019	2018
Cost:		
Opening balance at 01 January	8,676	7,446
Additions during the year	45	1,230
Closing balance at 31 December	**8,721**	**8,676**
Accumulated amortization:		
Opening balance at 01 January	4,596	4,411
Amortization for the year	50	185
Closing balance at 31 December	**4,646**	**4,596**
Net book value	**4,075**	**4,080**

Amortization expense is included in general and administration expenses.

8. STORES, SPARE PARTS AND LOOSE TOOLS

	DECEMBER 31,	
	2019	2018
Consumables spare parts - not for sale	116,657	119,717
Less: provision for slow moving items	(4,000)	(4,000)
Net balance	**112,657**	**115,717**

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

	DECEMBER 31,	
	2019	2018
Balance at the beginning of the year	4,000	4,000
Add: provided during the year	-	-
Balance at the end of the year	**4,000**	**4,000**

Strategic spares held for future capital use amounting to SR 35,620 (2018: SR 38,376) are classified within property, plant and equipment.

9. STOCK IN TRADE

	DECEMBER 31, 2019	DECEMBER 31, 2018
Raw materials, fuel and packing materials	15,329	23,137
Goods in process	185,158	235,724
Finished goods	6,621	8,283
Total	**207,108**	**267,144**

10. TRADE RECEIVABLES

	DECEMBER 31, 2019	DECEMBER 31, 2018
Trade receivables - gross	45,308	42,648
Less: provision against doubtful trade debts	(11,357)	(11,770)
Less: area incentives accrual	(482)	(298)
Trade receivables - net	**33,469**	**30,580**

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

	DECEMBER 31, 2019	DECEMBER 31, 2018
Balance at the beginning of the year	11,770	946
Add: provided during the year	7	126
Add: IFRS 9 expected loss provision adjustment in opening retained earnings	-	10,698
	11,777	11,770
Less: Written back during the year	(420)	-
Balance at the end of the year	**11,357**	**11,770**

11. PREPAYMENTS AND OTHER RECEIVABLES

	DECEMBER 31,	
	2019	2018
Advances to suppliers	5,827	3,781
Prepaid expenses	9,758	5,672
Refundable custom duties - net	1,514	2,014
Other receivables	2,703	2,396
Total	**19,802**	**13,863**

12. CASH AND CASH EQUIVALENTS

	DECEMBER 31,	
	2019	2018
Cash in hand	357	552
Current accounts at banks	11,795	11,472
Short term murabaha deposit	10,000	-
Total	**22,152**	**12,024**

Cash at bank includes unclaimed dividends of SR 1,008 (2018: SR 1,008).

13. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS

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

	NOTE	DECEMBER 31,	
		2019	2018
Balance at beginning of the year		25,629	25,366
Current service cost		3,285	3,907
Interest cost		1,143	843
Amount recognised in profit or loss account		4,428	4,750
Re-measurement loss / (gain) recognized in other comprehensive Income	13.1	604	(1,893)
Benefits paid during the year		(1,439)	(2,594)
Balance at the end of the year		**29,222**	**25,629**

13. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS (CONTINUED)

13.1 Re-measurements gains recognized in other comprehensive income for the year ended 31 December 2019 are as follow:

	DECEMBER 31,	
	2019	2018
Impact of changes in financial assumptions	556	(294)
Impact of changes in demographic assumptions	-	(398)
Impact of experience adjustments	48	(1,201)
	604	(1,893)

13.2 Principal actuarial assumptions

Below are the principle actuarial assumptions:

Key actuarial assumptions	DECEMBER 31,	
	2019	2018
Discount rate used	3.05%	4.45%
Future growth in salary		
Next two years	3.00%	3.00%
Long term salary increase rate	2.85%	4.25%
Turnover	Moderate	Moderate
Demographic assumptions		
Retirement Age	60	60

13.3 Sensitivity analysis:

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

	DECEMBER 31,2019		DECEMBER 31,2018	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	27,958	30,587	24,139	26,440
Future salary growth (0.5% movement)	30,370	28,146	26,156	24,389

13.4 Risks associated with defined benefit plans

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

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

14. LEASES

	DECEMBER 31, 2019
Current portion of lease obligations	425
Non-current portion of lease obligations	6,486
Balance at end of year	6,911

The lease liabilities are secured by the related underlying assets.

The analysis by maturity of future minimum lease payments at December 31, 2019 are as follows:

As at December 31, 2019

	< 1 year	**1-5 year**	**>5 years**	**Total**
Minimum lease payments	632	3,162	4,693	8,487
Interest expense for furture periods	207	832	537	1,576
Net present values	425	2,330	4,156	6,911

15. LONG TERM FINANCING

	Banque Saudi Fransi	SUKUK	Total
	Note 15.1	Note 15.2	
Principal amount	150,000	400,000	550,000
Accrued mark up	-	1,170	1,170
Total amount outstanding as of January 01, 2019	150,000	401,170	551,170
Less: Repayments/ redemptions during the year	(105,000)	(46,170)	(151,170)
Net principal amount	45,000	355,000	400,000
Accrued mark up for the year	-	908	908
	45,000	355,908	400,908
Less: Transferred to current liabilities	(15,000)	(355,908)	(370,908)
Balance as of December 31, 2019 (long term portion)	30,000	-	30,000

15.1 Commercial Banks Facilities (Tawarroq):

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

Tawarroq:

Specific facility of SR 150 million against waste heat recovery project is repayable in ten quarterly instalments of SR 15 million with repayment starting from March 2019 till the end of June 2021 at a markup of 2.50% plus three months SIBOR. Presettlement for instalments due in March, June and September 2020 was made during 2019.

In addition, a multiple purpose cash facility of SR 35,000 is also available but not utilized by the Company. These facilities are secured by, inter alia, an order note amounting to SR 170,120.

15.2 Sukuk:

In June 2015, the Company privately placed an unrated but registered Sukuk of SR 400 million for five years maturing in June 2020 which has a current profit rate of 2.15% plus three month SIBOR, payable quarterly. The company opted to an early and partial redemption of its Sukuk by buying back/cancelling an amount of SR 45 million during 2019. The effect of the same has been notified with Tadawul in December 2019.

Waiver for the breach of conditions 7(d) and 7(e) to the Sukuk agreement is obtained till 31 December 2019(G) through extra ordinary resolution of the Sukukholders in their meeting on 10 December, 2018.

All the above mentioned loans are sharia complied loans.

16. PROVISION FOR ZAKAT

	DECEMBER 31,	
	2019	2018
Opening balance	20,486	24,343
Provision booked during the year	6,147	7,407
Zakat paid during the year	(7,392)	(11,264)
	19,241	**20,486**

16.1 Status of zakat return and assessment

Zakat assessments have been finalized with General Authority for Zakat and Tax (GAZT) for all the years up to 31 December 2011. The company has also filed its zakat returns and paid the zakat dues for the years from 2012 to 2018 while the assessments still remain to be finalized for these years.

17. ACCRUED AND OTHER PAYABLES

	DECEMBER 31,	
	2019	2018
Raw material royalties payable	10,924	8,343
Other payables	4,786	6,701
Dividends payable	1,008	1,008
Accrued expenses	628	512
	17,346	**16,564**

18. COST OF REVENUE

	NOTE	DECEMBER 31, 2019	2018
Cost of materials raised		42,997	34,142
Salaries, wages and related benefits	18.1	51,177	56,034
Fuel and power		39,503	32,430
Repairs and maintenance		16,033	19,896
Operation and management expenses		12,096	9,136
Depreciation	6.1	75,634	91,147
Other expenses		7,839	8,998
Physical stock count adjustments		(3,049)	-
		242,230	251,783
Changes in opening work in progres and finished goods		245,344	285,927
Changes in closing work in progres and finished goods		(189,620)	(245,344)
Cost of revenue		297,954	292,366

18.1 Salaries, wages and benefits include staff retirement benefits amounting to SR 3,035 (2018: SR 3,091).

18.2 The cost of revenues includes indirect cost which relates to the non-operating part of the Company's production line(s) during the year, due to the slowdown in the market, amounting to SR 33,570 (2018: SR 77,606).

19. SELLING AND DISTRIBUTION EXPENSES

	Note	DECEMBER 31, 2019	DECEMBER 31, 2018
Salaries, wages and related benefits	19.1	5,339	4,660
Depreciation	6.1	834	453
Cement transportation		54	-
Travel expenses		225	51
Bad debts		7	126
Export expenses		618	134
Others		679	271
		7,756	**5,695**

19.1 Salaries, wages and benefits include staff retirement benefits amounting to SR 522 (2018: SR 253).

20. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	DECEMBER 31, 2019	DECEMBER 31, 2018
Salaries, wages and related benefits	20.1	18,286	20,543
Maintenance expenses		1,323	446
Legal and professional services		1,060	2,405
Depreciation and amortization	6.1 & 7	910	1,316
Regulatory fees		833	674
Travel expenses		668	838
Donations		606	600
Information technology		150	180
Bank charges		79	114
Others		2,606	2,452
		26,521	**29,568**

20.1 Salaries, wages and benefits include staff retirement benefits amounting to SR 871 (2018: SR 1,406).

21. FINANCE COST

	DECEMBER 31,	
	2019	2018
Mark up on loans	6,309	10,462
Mark up on Sukuk	19,757	15,269
Bank charges and commissions	13	1,162
	26,079	**26,893**

22. CONTINGENT LIABILITES

As of December 31, 2019, the Company had commitments in the form of bills for collection amounting to SR 1,439 (2018: SR NIL) and performance bonds amounting to NIL (2018: SR 850).

23. RELATED PARTY TRANSACTIONS AND BALANCES

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

23.1 Advances From related parties

Related party	Relation	DECEMBER 31, 2019	2018
AMAK Company	Affiliate	2	4
Yaal Alarabeya CO.	Affiliate	1	-
Total		**3**	**4**

23.2 Related party Transactions

	2019	**2018**
Sales:		
Yaal Alarabeya CO.	236	2,044
AMAK CO.	23	45
Total	**259**	**2,089**

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

	2019	2018
Salaries	3,636	3,747
Annual and periodic remuneration	3,286	3,141
Allowances	1,799	1,521
End of service benefits	22	306
Total	**8,743**	**8,715**

24. SEGMENTAL REPORTING

The Company operates in one trading segment and all sales are within the Kingdom of Saudi Arabia. Further, significant amount of liabilities of the company is payable in Saudi Arabia.

25. FINANCIAL RISK MANAGEMENT AND OBJECTIVES AND POLICIES

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

Market risk

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

(a) Profit rate risk

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

(b) Currency risk

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

(c) Other price risk

Other price risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices.

25.1 FINANCIAL RISK MANAGEMENT AND OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

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

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

Age of trade receivables that are past due but not impaired as of December 31, 2019 is as follows:

	DECEMBER 31,	
	2019	2018
1-90 days	24,830	14,533
91-180 days	4,655	8,062
181-360 days	1,490	4,271
Over 360 days	2,976	4,012
Total	**33,951**	**30,878**

Age of impaired trade receivables as of December 31, 2019 is as follows:

	DECEMBER 31,	
	2019	2018
More than 360 days	11,357	11,770
Total	**11,357**	**11,770**

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

Liquidity risk

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

Exposure to liquidity risk

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

	On Demand	Less than 3 months	3-12 months	1-5 years	Total
December 31, 2019'	-	-	370,908	30,000	400,908
December 31, 2018'	-	-	61,170	490,000	551,170

26. PLANT CAPACITY AND PRODUCTION - Clinker

		Available capacity		Actual production	
		2019	2018	2019	2018
		(Metric tonnes)		(Metric tonnes)	
Line 1	Based on 330 days	1,980	1,980	-	-
Line 2	Based on 330 days	990	990	458	970
Line 3	Based on 330 days	2,145	2,145	1,042	-
		5,115	5,115	1,500	970

27. BOARD OF DIRECTORS APPROVAL

These financial statements were approved by the Board of Directors of the Company on February 24, 2020.