

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2015
with
INDEPENDENT AUDITORS' REPORT

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended at December 31, 2015
Expressed in Saudi Riyals

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License No. 46/11/323 issued 11/3/1992

INDEPENDENT AUDITORS' REPORT

The Shareholders
Yanbu Cement Company
(Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

We have audited the accompanying consolidated financial statements of Yanbu Cement Company ("the Company") and its subsidiary (collectively "the Group") which comprise the consolidated balance sheet as at December 31, 2015 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 23 which form an integral part of the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article (123) 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these consolidated financial statements.

Auditors' responsibilities

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the consolidated financial statements taken as a whole:

- 1) present fairly, in all material respects, the financial position of the Group as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group.
- 2) Comply with the requirements of the Regulations for Companies and the Company's by-laws with respect to the preparation and presentation of the financial statements.

For KPMG Al Fozan & Partners

Ebrahim Oboud Baeshen
License No. 382

Rabi Al Thani 18, 1437H
Corresponding to January 28, 2016



YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET

As at December 31, 2015

Expressed in Saudi Riyals

	Note	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	4	286,751,264	289,661,311
Trade receivables		219,612,753	191,365,644
Inventories	5	528,851,919	551,292,575
Due from a related party	21 - a	323,640	--
Prepayments and other current assets	6	24,897,276	24,806,590
Total current assets		<u>1,060,436,852</u>	<u>1,057,126,120</u>
Non-current assets:			
Property, plant and equipment	7	3,106,371,356	3,187,186,090
Total non-current assets		<u>3,106,371,356</u>	<u>3,187,186,090</u>
Total assets		<u>4,166,808,208</u>	<u>4,244,312,210</u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities:			
Current portion of long term loans	8	57,108,000	239,120,405
Trade payables		13,246,370	21,771,802
Dividends payable	9	70,335,412	68,206,220
Zakat provision	17- b	19,493,633	21,554,516
Accrued expenses and other current liabilities	10	96,160,883	97,014,340
Total current liabilities		<u>256,344,298</u>	<u>447,667,283</u>
Non-current liabilities:			
Long term loans	8	101,139,000	168,247,000
Employee's end of service benefits	11	74,188,743	65,672,363
Total non-current liabilities		<u>175,327,743</u>	<u>233,919,363</u>
Total liabilities		<u>431,672,041</u>	<u>681,586,646</u>
<u>EQUITY</u>			
Equity attributable to the Company's shareholders:			
Capital	12	1,575,000,000	1,575,000,000
Statutory reserve	13	787,500,000	787,500,000
Retained earnings		1,340,904,011	1,167,020,163
Total equity attributable to the Company's shareholders		<u>3,703,404,011</u>	<u>3,529,520,163</u>
Non-controlling interest		31,732,156	33,205,401
Total equity		<u>3,735,136,167</u>	<u>3,562,725,564</u>
Total liabilities and equity		<u>4,166,808,208</u>	<u>4,244,312,210</u>

The accompanying notes 1 through 23 form an integral part of these consolidated financial statements.

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 2015

Expressed in Saudi Riyals

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Sales		1,612,978,182	1,559,389,682
Costs of sales		<u>(741,514,650)</u>	<u>(706,173,864)</u>
Gross profit		871,463,532	853,215,818
Selling and distribution expenses	14	<u>(13,916,834)</u>	<u>(12,747,343)</u>
General and administrative expenses	15	<u>(31,874,733)</u>	<u>(27,645,589)</u>
Income from operations		825,671,965	812,822,886
Other income	16	<u>3,558,249</u>	<u>21,944,136</u>
Financial charges		<u>(7,544,370)</u>	<u>(9,408,996)</u>
Net income before Zakat and non-controlling interest		821,685,844	825,358,026
Zakat	17- a	<u>(15,475,241)</u>	<u>(21,741,912)</u>
Net income before non-controlling interest		806,210,603	803,616,114
Non-controlling interest		<u>(126,755)</u>	<u>(1,683,456)</u>
Net income		<u>806,083,848</u>	<u>801,932,658</u>
Earning per share from:	18		
- Income from operations		<u>5.24</u>	<u>5.16</u>
- Other income		<u>0.02</u>	<u>0.14</u>
- Net income		<u>5.12</u>	<u>5.09</u>

The accompanying notes 1 through 23 form an integral part of these consolidated financial statements.

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

Expressed in Saudi Riyals

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Operating activities			
Net income before Zakat and non-controlling interest		821,685,844	825,358,026
Adjustments for:			
Depreciation	7	209,030,691	209,615,000
Amortization of deferred financing costs	8	2,892,000	2,892,000
Slow moving spare parts provision	5	7,064,094	3,487,791
Gain on disposal of property, plant and equipment	16	(66,000)	(156,200)
Employee's end of service benefits provision for the year	11	13,178,514	9,925,937
		<u>1,053,785,143</u>	<u>1,051,122,554</u>
Changes in operating assets and liabilities			
Trade receivables		(28,247,109)	(11,397,945)
Inventories		15,376,562	(73,446,849)
Due from a related party		(323,640)	--
Prepayments and other current assets		(90,686)	34,861,457
Trade payables		(8,525,432)	(23,569,271)
Accrued expenses and other current liabilities		(853,457)	(23,113,620)
Employee's end of service benefits paid	11	(4,662,134)	(6,646,996)
Zakat paid	17- b	(17,536,124)	(17,119,415)
Net cash provided by operating activities		<u>1,008,923,123</u>	<u>930,689,915</u>
Investing activities			
Purchase of property, plant and equipment	7	(128,215,957)	(116,077,501)
Proceeds from disposal of property, plant and equipment		66,000	156,200
Net cash used in investing activities		<u>(128,149,957)</u>	<u>(115,921,301)</u>
Financing activities			
Bank facilities settled		(252,012,405)	(283,375,828)
Dividends paid to shareholders	9	(627,870,808)	(548,326,206)
Dividends paid to non-controlling interest		(1,600,000)	(2,400,000)
Board of Directors' remunerations		(2,200,000)	(2,200,000)
Net cash used in financing activities		<u>(883,683,213)</u>	<u>(836,302,034)</u>
Net change in cash and cash equivalents		(2,910,047)	(21,533,420)
Cash and cash equivalents at the beginning of the year		<u>289,661,311</u>	<u>311,194,731</u>
Cash and cash equivalents at the end of the year	4	<u>286,751,264</u>	<u>289,661,311</u>

The accompanying notes 1 through 23 form an integral part of these consolidated financial statements.

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015
Expressed in Saudi Riyals

	Note	Equity attributable to the Company's shareholders					Non-controlling interest	Total equity
		Capital	Statutory reserve	Retained earnings	Total			
Balance at January 1, 2014		1,575,000,000	787,500,000	918,537,505	3,281,037,505	33,921,945	3,314,959,450	
Net income for the year		--	--	801,932,658	801,932,658	1,683,456	803,616,114	
Dividends	9	--	--	(551,250,000)	(551,250,000)	(2,400,000)	(553,650,000)	
Board of Directors' remunerations		--	--	(2,200,000)	(2,200,000)	--	(2,200,000)	
Balance at December 31, 2014		1,575,000,000	787,500,000	1,167,020,163	3,529,520,163	33,205,401	3,562,725,564	
Net income for the year		--	--	806,083,848	806,083,848	126,755	806,210,603	
Dividends	9	--	--	(630,000,000)	(630,000,000)	(1,600,000)	(631,600,000)	
Board of Directors' remunerations		--	--	(2,200,000)	(2,200,000)	--	(2,200,000)	
Balance at December 31, 2015		1,575,000,000	787,500,000	1,340,904,011	3,703,404,011	31,732,156	3,735,136,167	

The accompanying notes 1 through 23 form an integral part of these consolidated financial statements.

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Yanbu Cement Company was established as a Saudi Joint Stock Company ("the Company" and "the Parent Company") and incorporated per Royal Decree No. M/10 on 24/3/1397H based on the Council of Ministers Resolution No. 1074 on 10/8/1394H and is registered in Yanbu City under Commercial Registration No. 4700000233 on 21/11/1398H pursuant to Ministry of Industry and Electricity Resolution No. 67/S on 17/3/1396H.

The Company is engaged in the manufacturing of ordinary Portland cement, resistant cement and pozzolanic cement.

The Head office of the company is located at the following address:

Yanbu Cement Company
Al Baghdadiyah Al Gharbiyah District
P. O. Box 5530
Jeddah 21422
Kingdom of Saudi Arabia

The consolidated financial statements comprise the financial statements of the company (Yanbu Cement Company) and its mentioned below subsidiary (collectively referred to as "the Group"):

<u>Subsidiary's name</u>	<u>Country of incorporation</u>	<u>Ownership percentage</u>
Yanbu Saudi Kuwaiti Paper Products Company Ltd.	Kingdom of Saudi Arabia	60%

The subsidiary is engaged in the manufacturing and wholesale trading of all kinds of cement paper.

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

(b) Basis of measurement

The accompanying consolidated financial statements have been prepared on historical cost basis, using the accrual basis of accounting and the going concern concept.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Expressed in Saudi Riyals

2. BASIS OF PREPARATION (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31 for each year. The financial statements of the subsidiary are prepared for the same reporting year as the Company.

Subsidiary

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries and those arising between the subsidiaries are eliminated in preparing these consolidated financial statements. Any unrealized gains and losses arising from intra-group transactions are also eliminated on consolidating the interim consolidated financial statements.

Non-controlling interest

Non-controlling interest represents the interest in subsidiary companies, not held by the Company which are measured at their proportionate share in the subsidiary's identifiable net assets. Transactions with Non-controlling interest parties are treated as transactions with parties external to the Group.

(d) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional and reporting currency of the Group companies.

(e) Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Expressed in Saudi Riyals

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgments (continued)

- Impairment of accounts receivable

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the agreement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators of objective evidence that the trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

- Provision for slow moving inventories

Management makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of year.

- Impairment of non-financial assets

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-current assets and that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2015
Expressed in Saudi Riyals

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash in hand, time deposits and investments in mutual funds –if any- readily convertible to cash and has a maturity of 3 months or less as at the original investment date, if any, which are available to the Group without any restrictions.

Trade receivable

Trade receivables are stated at original invoice amount less provisions made for doubtful debts. A provision against doubtful debts is established when there is an objective evidence that the Group will not be able to collect the amounts due according to the original terms of the receivables. Bad debts are written off when identified, against their related provisions. The provisions are charged to consolidated statement of income and any subsequent recovery of receivable amounts previously written off are credited to income.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value comprises estimated selling price in the ordinary course of business, less further production costs to completion and appropriate selling and distribution costs. Provision is made, where necessary, for obsolete, slow moving and defective stocks.

Operating lease

Payment under operating lease is recognized in the consolidated statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Expressed in Saudi Riyals

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

All other expenditures are recognized in the consolidated statement of income when incurred. Depreciation is charged to the consolidated statement of income on a straight-line basis over the estimated useful lives of the individual items of property, plant and equipment.

Repair and maintenance expenditures are charged to the consolidated statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalized

Freehold land is not depreciated. The cost less estimated residual value of Property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets - effective from its date of purchase or construction. Paper products factory plant and equipment related to the subsidiary are depreciated using the units of production method.

The estimated useful lives of assets for the current and comparative year are as follows:

	<u>Years</u>
Factory buildings	25
Paper factory production buildings	30
Buildings and other constructions	40
Berth	20
Machinery and equipment	25
Paper production machinery and equipment	Production units
Vehicles and trucks	4 - 6.67
Furniture and other assets	4 - 6.67

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred. Further, upfront fees that were deducted in advance by the SIDF, is deferred and presented netting of the principle amount of the loan. Such deferred amount is amortized over the term of the loan using the straight line method which is not materially different from applying the prevailing interest rate). Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalized up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, otherwise, such costs are charged to the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Expressed in Saudi Riyals

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefit, will be required to settle the obligation.

Employees' end of service benefits

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the consolidated statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

Revenue recognition

Revenue is recognized to the extent of the following recognition requirements:

- It is probable that the economic benefits will flow to the Group,
- It can be reliably measured, regardless of when the payment is being made
- The cost incurred to date and expected future costs are identifiable and can be measured reliably.

Revenue is measured at the fair value of the consideration received or the contractually defined terms of payment. The specific recognition criteria described below must also be met before the revenue is recognized.

Sale of goods

Revenue from sales is recognized upon delivery or shipment of products by which the significant risks and rewards of ownership of the goods have been transferred to the buyer and the Group has no effective control or continuing managerial involvement to the degree usually associated with ownership over the goods. Sales is recorded net of returns, trade discounts and volume rebates.

Expenses

Selling and distribution expenses are those arising from the Company's efforts underlying the selling and distribution functions. All other expenses, excluding cost of sales and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of sales and selling and distribution and general and administrative expenses, when required, are made on consistent basis.

Zakat

The Company and its subsidiary are subject to zakat in accordance with the regulations of Saudi Department of Zakat and Income Tax ("DZIT"). Zakat is accrued and charged to the statement income currently. Additional zakat liability, if any, related to prior years' assessments arising from DZIT are accounted for in the period in which the final assessments are finalized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Withholding tax

The Company withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with DZIT regulations.

Translation of foreign currencies

Transactions denominated in foreign currencies are translated to the functional currency of the Group at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency of the Group at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognized in the consolidated statement of income.

Dividends

Interim dividends are recorded as a liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the year in which they were approved by the general assembly of shareholders.

Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segmental reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31 comprise the following:

	<u>2015</u>	<u>2014</u>
Cash at bank - current accounts	284,230,735	287,664,404
Cheques under collection	2,296,000	1,808,000
Cash in hand	224,529	188,907
	<u>286,751,264</u>	<u>289,661,311</u>

YANBU CEMENT COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5. INVENTORIES

(a) Inventories at December 31 comprise the following:

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Spare parts		357,708,338	375,041,242
Work-in-progress		250,591,711	240,585,485
Raw materials		32,952,312	41,408,138
Packaging materials		6,578,679	7,325,171
Oil and fuel		7,500,506	6,208,378
Other materials		772,747	912,441
		<u>656,104,293</u>	<u>671,480,855</u>
Less: Provision for slow moving spare parts	5 -b	<u>(127,252,374)</u>	<u>(120,188,280)</u>
		<u>528,851,919</u>	<u>551,292,575</u>

(b) The movement in provision for slow moving spare parts for the year ended December 31 is as follows:

	<u>2015</u>	<u>2014</u>
Balance at beginning of the year	120,188,280	116,700,489
Additions	<u>7,064,094</u>	<u>3,487,791</u>
Balance at end of the year	<u>127,252,374</u>	<u>120,188,280</u>

6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets at December 31 comprise the following:

	<u>2015</u>	<u>2014</u>
Deposits and other receivables	9,421,308	10,521,516
Employees' loans	9,897,069	8,896,071
Prepaid expenses	<u>5,578,899</u>	<u>5,389,003</u>
	<u>24,897,276</u>	<u>24,806,590</u>

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7. PROPERTY, PLANT AND EQUIPMENT

(a) Movement in property, plant and equipment for the year ending December 31, 2015 is as follows:

	Land	Factory building	Paper factory buildings	Other buildings & constructions	Berth	Machinery & equipment	Paper factory machinery & equipment	Vehicles, mixers & truck	Furniture & other assets	Capital Work-in-progress	Total 2015	Total 2014
Cost:												
At the beginning of the year	4,805,116	517,935,603	23,682,301	462,634,660	16,360,228	4,656,044,743	44,786,388	116,071,052	25,436,418	80,187,985	5,947,944,494	5,834,133,322
Additions	--	--	--	--	--	26,866,142	180,000	1,334,454	4,922,074	94,913,287	128,215,957	116,077,501
Disposals	--	--	--	--	--	(1,042,258)	--	(766,790)	(18,990)	--	(1,828,038)	(2,266,329)
Transfers	--	2,758,683	--	--	--	52,121,091	--	--	--	(54,879,774)	--	--
At the end of the year	4,805,116	520,694,286	23,682,301	462,634,660	16,360,228	4,733,989,718	44,966,388	116,638,716	30,339,502	120,221,498	6,074,332,413	5,947,944,494
Depreciation:												
At the beginning of the year	--	363,674,761	6,410,107	197,913,884	16,360,228	2,066,411,591	10,366,171	83,467,987	16,153,675	--	2,760,758,404	2,553,409,733
Charge for the year	--	9,030,262	697,001	12,901,431	--	169,251,746	1,387,488	11,493,615	4,269,148	--	209,030,691	209,615,000
Disposals	--	--	--	--	--	(1,042,258)	--	(766,790)	(18,990)	--	(1,828,038)	(2,266,329)
At the end of the year	--	372,705,023	7,107,108	210,815,315	16,360,228	2,234,621,079	11,753,659	94,194,812	20,403,833	--	2,967,961,057	2,760,758,404
NBV as at December 31, 2015	4,805,116	147,989,263	16,575,193	251,819,345	--	2,499,368,639	33,212,729	22,443,904	9,935,669	120,221,498	3,106,371,356	
NBV as at December 31, 2014	4,805,116	154,260,842	17,272,194	264,720,776	--	2,589,633,152	34,420,217	32,603,065	9,282,743	80,187,985		3,187,186,090

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7. PROPERTY, PLANT AND EQUIPMENT (continued)

- (b) Capital work in progress represents residential buildings built for the employees in the factory site, a security fence around the plant, power generation unit from waste thermal energy and other service constructions on the factory.
- (c) The Company obtained the tenancy right for the factory land and its related quarries from the Ministry of Petroleum and Mineral Resources of the Principality of Medina for 30 years, starting from the year 1428H a nominal rent an annual capacity of SR. 10,000 per square kilometer.
- (d) All property, plants and equipment of the fifth production line with net book value amounting to SR. 1.51 billion are mortgaged to Saudi Industrial Development Fund (SIDF) against long term loan from SIDF (Note 8).
- (e) Depreciation charge for the year ended December 31, has been allocated as follows:

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Cost of sales		208,069,027	208,819,313
Selling and distribution expenses	14	661,953	567,458
General and administrative expenses	15	299,711	228,229
		<u>209,030,691</u>	<u>209,615,000</u>

- (f) The cost of property, plant and equipment that are fully depreciated and still in the operation as at December 31, 2015 amounted to SR 1.2 billion (compared to SR. 1.2 billion as at December 31, 2014), the Company's management has reviewed the estimated useful lives of these assets and believes that no adjustment is needed.

8. CREDIT FACILITIES

(a) Bank Credit facilities agreements

The Group has credit facility agreements with local commercial bank and other lenders institutions for long and short term borrowings, letter of credits and guarantees and hedging facilities totaling of SR 279 million (2014: SR 466.5 million. The facilities bear financial charges on prevailing market rates at SIBOR plus margin as defined in the facilities agreements.

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8. LONG-TERM BORROWINGS (continued)

(b) Long-term borrowings

Long-term borrowings at December 31 comprise of the following:

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Saudi Industrial Development Fund (SIDF)	8.1	158,247,000	205,355,000
National Commercial Bank loans	8.2	--	202,012,405
		<u>158,247,000</u>	<u>407,367,405</u>

Long-term borrowings are presented in the consolidated balance sheet as follows:

	<u>2015</u>	<u>2014</u>
Current portion shown under current liabilities	57,108,000	239,120,405
Non-current portion shown under non-current liabilities	<u>101,139,000</u>	<u>168,247,000</u>
	<u>158,247,000</u>	<u>407,367,405</u>

8.1 Saudi Industrial Development Fund loan:

- On June 7, 2010, the loan from Saudi Industrial Development Fund (SIDF) was obtained to finance the construction of the fifth production line "the project". The total outstanding balance as of 31 December 2015 is amounting to SR 165 million (31 December 2014: SR 215 million) from the total approved loan amount of SR 300 million out of which an amount of SR 22.5 million is deducted as industrial evaluation costs. The loan is repayable over 6 years in semiannual installments starting from 28 December 2012. The loan is secured by a mortgage of Property, plant and equipment of fifth production line (Note 7 (d)). The loan agreement contains covenants and certain financial ratios to be maintained.
- Part of the industrial evaluation costs amounting to SR 4.9 million has been capitalized as a part of project cost which related to the period from obtaining the loan until the completion of the project on March 31, 2012. The remaining balance amounting to SR 17.6 million were classified as deferred financing costs and will be amortized over the loan period ending April 30, 2018, and thus. The portion which has been charged to the income statement for the year ended as at 31 December 2015 from these costs amounting to SR 2.9 million (31 December 2014: SR 2.9 million).

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8. LONG TERM BORROWINGS (continued)

8.1 Saudi Industrial Development Fund loan (continued):

The SIDF loan balance as at December 31 is represented as follows:

	<u>2015</u>	<u>2014</u>
Total loan	165,000,000	215,000,000
Less: Deferred finance charges	(6,753,000)	(9,645,000)
	<u>158,247,000</u>	<u>205,355,000</u>

8.2 National Commercial Bank loans:

- During the year 2011, the company obtained bank facilities amounting to SR 1.2 billion from National Commercial Bank to finance the construction of fifth production line with no guarantee. The loan is repayable over 5 years started from 31 March 2011 and it will end on 1 March 2016 with an amount of SR 20 million in a monthly basis. During the year 2014, an amount of SR 80 million was paid as an early settlement of bank installments, last installment was paid at October 2015.
- During the year 2015, the company concluded a new bank facilities agreement amounting to SR 250 million from National Commercial Bank to finance the construction of fifth production line with no guarantee.
- Yanbu Saudi Kuwaiti Products Company (a Subsidiary) obtained bank facilities from the National Commercial Bank amounting to SR 13.5 million to cover its obligations against construction contractors and to finance local and foreign purchase of the equipment required. The loan is secured by a guarantee from the Parent Company (Yanbu Cement Company). The repayments of the installments stated on from 31 July 2011 by SR 281,319 monthly installment and the last installment was on 31 September 2015.
- All the loans are bearing banks commissions based on agreed commercial rates.
- The aggregate maturities of non-current borrowings as of December 31, 2015 are as follows:

	<u>Amount in SR</u>
2016	60,000,000
2017	70,000,000
2018	<u>35,000,000</u>
Total	<u>165,000,000</u>

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9. DIVIDENDS PAYABLE

The movement in the dividends payable during the year ended December 31, 2015 is as follows:

	<u>2015</u>	<u>2014</u>
Balance as of January 1	68,206,220	65,282,426
Dividends declared during the year (9.1)	630,000,000	551,250,000
Dividends paid during the year	<u>(627,870,808)</u>	<u>(548,326,206)</u>
Balance as of December 31	<u>70,335,412</u>	<u>68,206,220</u>

- 9.1 The Ordinary General Assembly meeting number thirty four held on Sunday Jumada Al Thani 23, 1436H, corresponding to April 12, 2015, has approved to distribute dividends for the second half for the year 2014 amounting to SR 393.75 million (2013: SR 315 million) based on SR 2.5 for each share (2013: SR 2 for each share) as 25% of the Capital (2013: 20% of the capital) to be eligible to the shareholders registered in the Stock Exchanges (Tadawel) records at the end of trading day of the ordinary general assembly meeting date.

On August 9, 2015 the Board of Directors recommended to distribute half year dividends for the year 2015 by total amount of SR 236.25 million (2014: SR 236.25 million) based on SR 1.5 for each share (2014: SR 1.5 for each share) representing 15% of the capital (2014: 15% of the capital) to be eligible to the shareholders registered in the Stock Exchanges (Tadawel) records at the end of trading day August 25, 2015.

- 9.2 Subsequent to the financial statements date, the Board of Directors recommended dividends for the second half of 2015 by SR 3.5 per share representing 35% of the capital to be approved by the General Assembly of the Company.

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities at December 31 comprise the following:

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Accrued queries fees	10.1	49,450,324	44,883,768
Accrued expenses		22,397,983	19,071,505
Service providers creditors		13,610,865	13,777,186
Advances from customers		5,276,385	5,044,158
Custom duties		3,436,511	11,704,370
Employee related accruals		994,163	1,618,414
Social insurance		945,110	870,556
Others		49,542	44,383
		<u>96,160,883</u>	<u>97,014,340</u>

(10-1) Accrued queries fees are recognized based on the actual utilized quantities of quarries by the company in accordance with the tariff set by and due to the Ministry of Petroleum and Mineral Resources.

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11. EMPLOYEES' END OF SERVICES BENEFITS

	<u>2015</u>	<u>2014</u>
Balance at the beginning of the year	65,672,363	62,393,422
Additions	13,178,514	9,925,937
Payments	<u>(4,662,134)</u>	<u>(6,646,996)</u>
Balance at the end of the year	<u>74,188,743</u>	<u>65,672,363</u>

12. CAPITAL

As at December 31, 2015, the Authorized, issued and paid up share capital of the Company was SR 1,575 million (2014: SR 1,575 million) divided into 157.5 million shares (2014: 157.5 million shares) of SR 10 value for each (2014: SR 10).

13. STATUTORY RESERVE

As required by Saudi Arabian Regulations for Companies and the Company article of association, the Company is required to transfer 10% of its net income each year to the statutory reserve until the reserve reaches 50% of the capital. The limit have been achieved on the previous years.

14. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the year ended December 31 comprise the following:

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Employee costs		8,448,225	7,867,734
Donations and social responsibility	14.1	3,372,912	3,194,787
Depreciation	7	661,953	567,458
Advertisement and publicity		479,376	211,500
Secondment expenses		139,853	74,876
Repair and maintenance		46,364	40,195
Fees and subscriptions		10,825	62,015
Other		<u>757,326</u>	<u>728,778</u>
		<u>13,916,834</u>	<u>12,747,343</u>

- 14.1 Donations and social responsibility represents the company's donations to several parties within the Company's plan for the development of the society and promote the Company's name.

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15. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended December 31 comprise the following:

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Employee costs		25,135,241	22,485,779
Professional and consultancy fees		2,918,837	1,065,083
Repair and maintenance		734,189	470,731
Fees and subscriptions		560,396	638,408
Advertisement and publicity		516,989	375,440
Utilities, telephone and communication		413,682	182,479
Depreciation	7	299,711	228,229
Training		279,923	498,018
Secondment expenses		264,635	178,307
Others		751,130	1,523,115
		<u>31,874,733</u>	<u>27,645,589</u>

16. OTHER INCOME

Other income for the year ended December 31 comprise the following:

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Human Resources Development Fund		1,469,254	--
Compensation from insurance companies		816,927	1,041,876
Custom fees Refunds		587,035	155,930
Employees service income		226,100	57,600
Cement dust sales		106,538	69,838
Gain on disposal of property, plant and equipment		66,000	156,200
Compensation from supplier	16.1	--	19,748,946
Other		286,395	713,746
		<u>3,558,249</u>	<u>21,944,136</u>

16.1. The amount represents the compensation received by the Company from the supplier of the fifth production line according to the final delivery agreement of the project dated April 10, 2014, representing penalties due to shortage in the performance of the cement mills.

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17. ZAKAT

(a) Charge for the year

The Company and its subsidiary, submit separate assessments to the Department of Zakat and Income Tax (DZIT) on unconsolidated bases using the equity method. The main components of the Zakat base for each company include the equity and provisions, as of the beginning of the year and net adjusted profit, less deductions for the net book value of property, plant and equipment and investments and other items. If the Zakat base is negative, the Company has no Zakat liability for the year.

Zakat charge for the year ended December 31 is as follows:

	<u>2015</u>	<u>2014</u>
For current year	15,358,740	21,741,912
For previous year	116,501	--
	<u>15,475,241</u>	<u>21,741,912</u>

(b) Zakat provision

The movement in Zakat provision as at December 31 is as follows:

	<u>2015</u>	<u>2014</u>
Balance at beginning of the year	21,554,516	16,932,019
Charge for the year	15,475,241	21,741,912
Paid during the year	(17,536,124)	(17,119,415)
	<u>19,493,633</u>	<u>21,554,516</u>

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17. ZAKAT (continued)

(c) Zakat status

Yanbu Cement Company (A Saudi Joint Stock Company)

Zakat assessment has been finalized with the Department of Zakat and Tax (DZIT) for the year ending December 31, 2004. The Company has filed its zakat returns for the years from December 31, 2005 until 2011. The DZIT has made a field inspection for these years resulted in claiming the Company to pay zakat differences by an amount of SR 72.7 million and differences for withholding tax by the amount of SR 361 thousand. The Company has paid the withholding tax and filed an objection with the DZIT on the above mentioned zakat differences. At 18 Jumada Al Tahni 1436H (corresponding to April 7, 2015), the First Primary Committee for zakat & tax in Riyadh issued its resolution number 60/1/36 to support the company's opinion for the main item related to deduction of fixed assets based on the financial statements and the refusal of some other minor items with relatively small values. Accordingly the (DZIT) has issued an adjusted Zakat assessment for those years based on the Committee resolution, which resulted in a favorable excess in the amount paid by the company amounted to SR 661 thousand. Accordingly Zakat status for the years up to 2011 were finalized.

The Company has filed its Zakat returns for the years from 2012 to 2014. The DZIT has made a field inspection for the years 2012 and 2013 but the company is still waiting for the DZIT assessment.

Yanbu Saudi Kuwaiti Paper Products Company (Subsidiary)

Zakat assessment has been finalized with the Department of Zakat and Tax (DZIT) for the years up to December 31, 2008. The Company has filed its zakat returns for the years from December 31, 2009 until 2013. The DZIT has made a field inspection for these years resulted in claiming the Company to pay zakat differences by an amount of SR 689 thousand and differences for withholding tax by the amount of SR 264 thousand and delay penalties by the amount of SR 77 thousand. The Company has paid the withholding tax and the related penalties and currently assessing the reasons for the differences and proceeding to file an objection with the DZIT on the above mentioned zakat differences.

The Company has filed its Zakat returns and paid Zakat for the year 2014 and still waiting for the DZIT assessment.

18. EARNING PER SHARE

Earnings per share from income from operations and earnings per share from other income and earnings per share from net income for the year ended December 31, 2015 are calculated based on the outstanding number of shares during the year amounting to 157.5 million shares (December 31, 2014: 157.5 million shares).

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19. SEGMENT INFORMATION

The company has one only operating segment represented in the production of Cement. The Company's operations are only in the Kingdom of Saudi Arabia; therefore, financial information has not been segmented into various business or geographical segments. Subsidiary's financial information are not significant to the Group financial statements for segment reporting purposes.

20. COMMITMENTS AND CONTINGENCIES

- a) As of December 31, 2015 the capital commitments related to projects under construction amounted to approximately SR 107.5 million (2014: SR 54.4 million).
- b) As of December 31, 2015 the contingent liabilities against Bank's letter of guarantees issued on behalf of the Group amounted to SR 10.1 million with no security margin paid, (2014: an amount of SR 13 million with no security margin paid) and contingent liabilities letter of credits by the amount of SR 104 million without security margin paid against it (2014: amount of SR 33.1 million without security margin paid against it).

21. RELATED PARTIES TRANSACTIONS

Related parties transactions mainly represent withholding taxes deducted from dividends paid to non-controlling interest for the non- resident shareholder in the subsidiary company with the following entity;

<u>Name of the person / entity</u>	<u>Relationship</u>
Shuaiba Industrial Company	Shareholder in the Subsidiary Company

(a) Due from related party

<u>Related party</u>	<u>Nature of transactions</u>	<u>Value of transactions</u>		<u>Closing balance</u>	
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Shuaiba Industrial Company	Payments on behalf on Shuaiba Industrial Company	<u>323,640</u>	<u>--</u>	<u>323,640</u>	<u>--</u>

Key management personnel are those who have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise).

Salaries, wages and other benefits during the year ended December 31, includes the following:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Value of transactions</u>	
		<u>2015</u>	<u>2014</u>
Key management personnel	Salaries, allowances and remunerations	<u>7,136,013</u>	<u>6,580,000</u>

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22. RISK MANAGEMENT

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of the financial instruments. The Group is subject to interest rate risk on its interest bearing assets and liabilities mainly bank overdraft and bank facilities. The management limits the company's interest rate risk by monitoring changes in interest rates.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The Group's financial current liabilities consist of the current portion of bank facilities, trade accounts payables, dividends payable and accrued expenses and other liabilities. All the financial liabilities are expected to be settled within 12 months of the balance sheet date and the Company expects to have adequate funds available to do so.

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. Cash and cash equivalents of the Group standing at the balance sheet date are placed with national banks with sound credit ratings. Trade receivables are mainly due from local customers, 72% as of December 31, 2015 (2014: 70%) of the Group's trade receivables are due from 5 main customers (2014: 5 customers). Trade receivables are stated at their estimated realizable values.

Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not exposed to fluctuations in foreign exchange rates during its ordinary course of business, since all significant transactions of the Group during the year are in Saudi Riyal and US Dollars and there is no significant risks related to balance stated at US Dollars since the exchange of Saudi Riyal against the US Dollar is fixed.

Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Group's financial assets consist of cash and cash equivalent, accounts receivables and other assets, its financial liabilities consist of bank facilities, trade accounts payables, dividends payables accrued expenses and other liabilities.

The fair values of financial instruments are not materially different from their carrying values.

23. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved for issuance by the Board of Directors on Rabi Al Thani 18, 1437H, corresponding to January 28, 2016.