

**YANBU CEMENT COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS (UNAUDITED)**  
For the three months period ended 31 March 2016  
with  
**INDEPENDENT AUDITORS' REVIEW REPORT**

**YANBU CEMENT COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

As at 31 March 2016

Expressed in Saudi Riyals

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## REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

### Scope of Review

We have reviewed the accompanying interim consolidated balance sheet of Yanbu Cement Company - a Saudi Joint Stock Company - (the Company) and its subsidiary (collectively referred to as "the Group") as at 31 March 2016 and the related interim consolidated statements of income, cash flows and changes in equity for the three months period then ended and the attached notes (1) through (13) which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to provide a conclusion on our review of these interim consolidated financial statements based on our review.

We conducted our review in accordance with Auditing Standard on Review of Interim Financial Reporting issued by Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of Company's personnel responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### Review Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners  
Certified Public Accountants

Ebrahim Oboud Baeshen  
License No. 382



10 Rajab 1437H  
Corresponding to 17 April 2016

**YANBU CEMENT COMPANY**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)**  
As at 31 March 2016  
Expressed in Saudi Riyals

	Note	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>			
<b>Current assets:</b>			
Cash and cash equivalents	4	499,842,037	392,306,254
Trade receivables		182,739,483	195,800,044
Inventories		519,125,567	534,870,730
Prepayments and other current assets		20,757,145	19,921,355
<b>Total current assets</b>		<u>1,222,464,232</u>	<u>1,142,898,383</u>
<b>Non-current assets:</b>			
Property, plant and equipment	5	3,140,372,002	3,173,097,118
<b>Total non-current assets</b>		<u>3,140,372,002</u>	<u>3,173,097,118</u>
<b>Total assets</b>		<u>4,362,836,234</u>	<u>4,315,995,501</u>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities:</b>			
Current portion of long term loans	6	57,108,000	188,233,254
Trade payables		21,776,818	12,458,331
Dividends payable	7	70,044,550	67,194,001
Zakat provision	8	5,594,403	10,136,499
Accrued expenses and other current liabilities		58,901,802	41,872,894
<b>Total current liabilities</b>		<u>213,425,573</u>	<u>319,894,979</u>
<b>Non-current liabilities:</b>			
Long term loans	6	155,879,141	158,970,000
Employees' end of service benefits provision		75,446,067	68,773,311
<b>Total non-current liabilities</b>		<u>231,325,208</u>	<u>227,743,311</u>
<b>Total liabilities</b>		<u>444,750,781</u>	<u>547,638,290</u>
<b><u>EQUITY</u></b>			
<b>Equity attributable to the Company's shareholders:</b>			
Capital	1	1,575,000,000	1,575,000,000
Statutory reserve		787,500,000	787,500,000
Retained earnings		1,524,870,031	1,374,186,827
<b>Total equity attributable to the Company's shareholders</b>		<u>3,887,370,031</u>	<u>3,736,686,827</u>
Non-controlling interest		30,715,422	31,670,384
<b>Total equity</b>		<u>3,918,085,453</u>	<u>3,768,357,211</u>
<b>Total liabilities and equity</b>		<u>4,362,836,234</u>	<u>4,315,995,501</u>

The accompanying notes (1) through (13) form an integral part of these interim consolidated financial statements (unaudited).

**YANBU CEMENT COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)**

For the three months period ended 31 March 2016

Expressed in Saudi Riyals

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Sales		<b>399,616,991</b>	437,102,457
Costs of sales		<b>(199,562,953)</b>	(212,855,321)
<b>Gross profit</b>		<b>200,054,038</b>	224,247,136
Selling and distribution expenses		<b>(3,604,830)</b>	(3,761,860)
General and administrative expenses		<b>(7,722,586)</b>	(8,143,849)
<b>Income from operations</b>		<b>188,726,622</b>	212,341,427
Other income		<b>296,029</b>	1,297,748
Financial charges		<b>(723,365)</b>	(1,227,528)
<b>Net income before Zakat and non-controlling interest</b>		<b>188,299,286</b>	212,411,647
Zakat		<b>(4,150,000)</b>	(5,180,000)
<b>Net income before non-controlling interest</b>		<b>184,149,286</b>	207,231,647
Non-controlling interest		<b>(183,266)</b>	(64,983)
<b>Net income</b>		<b>183,966,020</b>	207,166,664
<b>Earnings per share from:</b>	9		
- Income from operations		<b>1.20</b>	1.35
- Other income		<b>0.002</b>	0.008
- Net income		<b>1.17</b>	1.32

The accompanying notes (1) through (13) form an integral part of these interim consolidated financial statements (unaudited).

**YANBU CEMENT COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

For the three months period ended 31 March 2016

Expressed in Saudi Riyals

	<u>Note</u>	<u>2016</u>	<u>2015</u>
<b>Operating activities</b>			
Net income before Zakat and minority interest		<b>188,299,286</b>	212,411,647
<b>Adjustments:</b>			
Depreciation of property, plant and equipment		<b>55,509,134</b>	52,846,059
Amortization of deferred financing charges	6.1	<b>723,000</b>	723,000
Slow moving spare parts provision		<b>2,960,583</b>	3,075,234
Employees' end of service benefits provision		<b>4,793,857</b>	4,285,776
		<b>252,285,860</b>	273,341,716
<b>Changes in operating assets and liabilities</b>			
Trade receivables		<b>36,873,270</b>	(4,434,400)
Inventories		<b>6,765,769</b>	13,346,611
Due from related party		<b>323,640</b>	--
Prepayments and other current assets		<b>4,140,131</b>	4,885,235
Trade payables		<b>8,530,448</b>	(9,313,471)
Accrued expenses and other current liabilities		<b>(37,259,081)</b>	(55,141,446)
Employees' end of service benefits paid		<b>(3,536,533)</b>	(1,184,828)
Zakat paid		<b>(18,049,230)</b>	(16,678,017)
<b>Net cash from operating activities</b>		<b>250,074,274</b>	204,821,400
<b>Investing activities</b>			
Purchase of property, plant and equipment		<b>(89,509,780)</b>	(38,757,087)
<b>Net cash used in investing activities</b>		<b>(89,509,780)</b>	(38,757,087)
<b>Financing activities</b>			
Bank facilities obtained		<b>54,017,141</b>	--
Repayment of bank facilities		<b>--</b>	(60,887,151)
Dividends paid to shareholders	7	<b>(290,862)</b>	(1,012,219)
Dividends paid to non-controlling interest		<b>(1,200,000)</b>	(1,520,000)
<b>Net cash from / (used in) financing activities</b>		<b>52,526,279</b>	(63,419,370)
Net change in cash and cash equivalents		<b>213,090,773</b>	102,644,943
Cash and cash equivalents at the beginning of the period		<b>286,751,264</b>	289,661,311
<b>Cash and cash equivalents at the end of the period</b>	4	<b>499,842,037</b>	392,306,254

The accompanying notes (1) through (13) form an integral part of these interim consolidated financial statements (unaudited).

**YANBU CEMENT COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the three months period ended 31 March 2016

Expressed in Saudi Riyals

	Note	Total equity attributable to the Company's shareholders			Non-controlling interest	Total equity	
		Capital	Statutory reserve	Retained earnings			Total
<b>As at 31 March 2016</b>							
Balance at the beginning of period (audited)		1,575,000,000	787,500,000	1,340,904,011	3,703,404,011	31,732,156	3,735,136,167
Net income for the period		--	--	183,966,020	183,966,020	183,266	184,149,286
Dividends to minority interest	7	--	--	--	--	(1,200,000)	(1,200,000)
<b>Balance as at 31 March 2016 (unaudited)</b>		<b>1,575,000,000</b>	<b>787,500,000</b>	<b>1,524,870,031</b>	<b>3,887,370,031</b>	<b>30,715,422</b>	<b>3,918,085,453</b>
<b>As at 31 March 2015</b>							
Balance at the beginning of period (audited)		1,575,000,000	787,500,000	1,167,020,163	1,167,020,163	33,205,401	3,562,725,564
Net income for the period		--	--	207,166,664	207,166,664	64,983	207,231,647
Dividends to minority interest	7	--	--	--	--	(1,600,000)	(1,600,000)
<b>Balance as at 31 March 2015 (unaudited)</b>		<b>1,575,000,000</b>	<b>787,500,000</b>	<b>1,374,186,827</b>	<b>1,374,186,827</b>	<b>31,670,384</b>	<b>3,768,357,211</b>

The accompanying notes (1) through (13) form an integral part of these interim consolidated financial statements (unaudited).

**YANBU CEMENT COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three months period ended 31 March 2016

Expressed in Saudi Riyals

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**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

Yanbu Cement Company was established as a Saudi Joint Stock Company ("the Company" and "Parent Company") 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 interim consolidated financial statements comprise the financial statements of the parent company and its mentioned below subsidiary (collectively referred to as "the Group"):

<u>Subsidiary's name</u>	<u>Country of incorporation</u>	<u>Shareholding</u>
Yanbu Saudi Kuwaiti Paper Products Company Limited	Kingdom of Saudi Arabia	60%

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

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

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

The Company's issued and fully paid-up capital amounted to SR 1,575 million and is distributed over 157.5 million ordinary shares paid in cash of SR 10 value each.

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

The interim consolidated financial statements are prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia and in accordance with standard on Interim Financial Reporting issued by Saudi Organization for Certified Public Accountants. Interim consolidated financial statements include all the adjustments which consist primarily of normal recurring adjustments considered necessary by the Management to present a fair balance sheet, results of operations and cash flows. Interim consolidated financial statements do not include all the information and disclosures required for the audited financial statements which are prepared according to the Saudi Organization for Certified Public Accountants. The interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2015.



**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three months period ended 31 March 2016

Expressed in Saudi Riyals

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**2. BASIS OF PREPARATION (continued)**

**(b) Basis of measurement**

These interim consolidated financial statements are prepared under the historical cost basis, using the accrual basis of accounting and the going concern concept.

**(c) Basis of consolidation**

The interim consolidated financial statements comprise the interim financial statements of the parent company and its subsidiary. The financial statements of the subsidiary are prepared for the same reporting period 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.

Acquisition of non-controlling interest

Any changes in a group's ownership interest in a subsidiary after acquiring control, is accounted as an equity transactions and the carrying amounts of the non-controlling interest is adjusted against the fair value of the consideration paid and any difference is recognised directly in equity under "Effect of acquisitions transaction with non-controlling interest shareholders without change in control".

**(d) Functional and presentation currency**

The interim consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the Group's presentation currency.

**(e) Use of estimates and judgments**

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three months period ended 31 March 2016

Expressed in Saudi Riyals

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**2. BASIS OF PREPARATION (continued)**

**(e) Use of estimates and judgments (continued)**

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 a significant effect on the amounts recognized in the interim consolidated financial statements that are included in the notes:

- Impairment of trade accounts receivable

A provision for impairment of trade 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.

- Impairment of slow moving inventories

The 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 period.

- 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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three months period ended 31 March 2016

Expressed in Saudi Riyals

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies followed by the Group in preparing these interim consolidated financial statements are consistent with the policies used in preparing the consolidated financial statements for the year ended December 31, 2015 and interim consolidated financial statements for the comparative period. Significant accounting policies adopted by the Group for the preparation of these interim consolidated financial statements are as follows. Certain comparative amounts have been reclassified to conform with current period 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 Company 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**

Raw material inventories, work-in-progress and spare parts are stated at the lower of cost or net realizable value. Cost of raw materials and spare parts is determined using the weighted average method. The cost of work-in-progress includes direct materials, direct labor and any related overheads. Slow moving and obsolete inventories are provided for and stated at net book value.

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

**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.

All other expenditures are recognized in the interim consolidated statement of income when incurred. Depreciation is charged to the interim 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 interim consolidated statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalized

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three months period ended 31 March 2016

Expressed in Saudi Riyals

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property, plant and equipment (continued)**

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 period 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.

**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 benefits, will be required to settle this obligation.

**Employees' end of service benefits**

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to interim 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 are terminated at the balance sheet date.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three months period ended 31 March 2016

Expressed in Saudi Riyals

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 Saudi Arabian Zakat rules and regulations. Zakat for the period was accounted for based on an estimate. The liability is charged to the interim consolidated statement of income in an independent item. Zakat is calculated finally when issuing the annually audited consolidated financial statement.

**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 currency 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 interim 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.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three months period ended 31 March 2016

Expressed in Saudi Riyals

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 March 31 comprise the following:

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Bank deposits – Murabaha deposits	4.1	<b>350,000,000</b>	--
Cash at bank - current accounts		<b>145,333,186</b>	388,614,621
Cheques under collection		<b>4,429,500</b>	3,579,000
Cash in hand		<b>79,351</b>	112,633
		<b><u>499,842,037</u></b>	<b><u>392,306,254</u></b>

- 4.1 Short term bank deposits represent time deposits, placed with a commercial local bank and yield financial income at prevailing market rates as per a Murabaha with a maturity of one month from the original investment date.

**5. PROPERTY, PLANT AND EQUIPMENT**

- a) All the property, plant and equipment of the fifth production line with a net book value amounting to SR 1.51 billion are mortgaged to Saudi industrial Development fund (SIDF) against long term loan obtained from the Fund. (note 6)
- b) As at 31 March 2016, the capital work in progress amounted to SR 125 million represented in the power generating unit from waste thermal energy and other service constructions on the factory.

**6. CREDIT FACILITIES**

**(a) Bank credit facilities agreements**

The Group has credit facility agreements with local commercial bank and other financing institutions for long and short term borrowings, letter of credits and guarantees of an amount of SR 234 million (31 March 2015: SR 357 million). The facilities bear financial charges on prevailing market rates at SIBOR plus margin as agreed in the facilities agreements.

**YANBU CEMENT COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three months period ended 31 March 2016

Expressed in Saudi Riyals

**6. CREDIT FACILITIES (continued)**

**(b) Long term borrowings**

Long-term borrowings at 31 March comprise the following:

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Saudi Industrial Development Fund (SIDF)	6.1	<b>158,970,000</b>	206,078,000
National Commercial Bank loans	6.2	<b>54,017,141</b>	141,125,254
		<b><u>212,987,141</u></b>	<u>347,203,254</u>

Long term borrowings are presented in the interim consolidated balance sheet as at 31 March as follows:

	<u>2016</u>	<u>2015</u>
Current portion presented under current liabilities	<b>57,108,000</b>	188,233,254
Non-current portion presented under non-current liabilities	<b>155,879,141</b>	158,970,000
	<b><u>212,987,141</u></b>	<u>347,203,254</u>

**6.1 Saudi Industrial Development Fund loan:**

- On June 7, 2010, The Company obtained a loan from Saudi Industrial Development Fund (SIDF) to finance the construction of the fifth production line "the project". The total outstanding balance as of 31 March 2016 amounted to SR 165 million (2015: 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. The loan agreement contains covenants that, among other terms, limits future capital expenditure and maintain certain financial ratios.
- Part of the industrial evaluation costs amounting to SR 4.9 million has been capitalized as a part of the project costs related to the period since the loan was obtained until the completion of the project on March 31, 2012. The remaining balance amounting to SR 17.6 million was classified as deferred financing costs and is amortized over the loan period ending April 30, 2018. The amount that was charged to the income statement for the period ended 31 March 2016 from these costs amounted to SR 723 thousand (2015: SR 723 thousand).

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

	<u>2016</u>	<u>2015</u>
Total loan	<b>165,000,000</b>	215,000,000
Less: Deferred finance charges	<b>(6,030,000)</b>	(8,922,000)
	<b><u>158,970,000</u></b>	<u>206,078,000</u>

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

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**6. CREDIT FACILITIES (continued)**

**(b) Long term borrowings (continued)**

**6.2 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 guarantees. The loan is repayable starting from 31 March 2011 and ended on 1 March 2016 with a monthly amount of SR 20 million. During the year 2013, an amount of SR 80 million was paid as an early settlement of the bank's installments, last installment was paid on October 2015.
- During the year 2015, the company entered into new bank facilities agreements amounting to SR 250 million with the National Commercial Bank to finance the construction of "Generating electricity from wasted thermal energy project" ("the Project") with no guarantees. The company utilized a portion of SR 54 million from the facility as of 31 March 2016 and will be paid by the end of the utilization period which is limited by 24 months from the date of the signing of the agreement and the actual completion of the project over 60 monthly equal installment and the due date for the latest installment will be on 31 May 2022.
- The first installment is repayable after 2 years from the loan date. The total loan balance will be rescheduled for repayments after the completion of the project and identifying the total amount utilized and used.
- 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 paid was on 30 September 2015.

All the loans are bearing banks commissions based on agreed commercial rates.

Total maturities of the borrowings as of March 31, 2016 are as follow:

	<u>SR</u>
2017	<b>57,108,000</b>
2018	<b>67,108,000</b>
2019	<b>34,754,000</b>
	<hr/>
Total	<b><u>158,970,000</u></b>

Maturity schedule for bank loan with the National Commercial Bank amounted to SR 54 million related to finance the construction of generating electricity from wasted thermal energy project was not reschedules as the bank will reschedule the total balance after completing the project as mentioned above.



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**7. DIVIDENDS PAYABLE**

The movement in the dividends payable during the three months period ended 31 March is as follows:

	<u>2016</u>	<u>2015</u>
Balance as of January 1	<b>70,335,412</b>	68,206,220
Dividends paid during the period	<b>(290,862)</b>	(1,012,219)
Balance as of December 31	<b><u>70,044,550</u></b>	<u>67,194,001</u>

- 7.1 Subsequent to the balance sheet date, The Ordinary General Assembly meeting number thirty five held on Sunday Jumada Al Thani 25, 1437H, corresponding to April 3, 2016, has approved to distribute the proposed dividends for the second half for the year 2015 amounting to SR 551.25 million (2014: SR 393.75 million) based on SR 3.5 for each share (2014: SR 2.5 for each share) as 35% of the Capital (2014: 25% 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.

**8. ZAKAT STATUS**

**Yanbu Cement Company (Parent Company)**

Zakat assessment has been finalized with the Department of Zakat and Tax (DZIT) for the year ending December 31, 2011. 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 made a field inspection for these years resulting in claiming differences with an amount of SR 689 thousand and differences for withholding tax with an amount of SR 264 thousand and delay penalties with an amount of SR 77 thousand. The Company has paid the withholding tax and the related penalties and the Zakat differences for the amounts that the subsidiary company agrees with DZIT on, but objected on other items with an amount of SR 645 thousand and replied to DZIT's return comments on the objected items and is currently waiting DZIT's responses and amendment

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

**9. 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 three months period ended 31 March 2016 are calculated based on the outstanding number of shares during the period amounting to 157.5 million shares (31 March 2015: 157.5 million shares).

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**10. CAPITAL COMMITMENTS AND CONTINGENCIES**

- a) As of 31 March 2016 the capital commitments relating to projects under construction amounted to SR 142 million (31 March 2015: SR 271 million).
- b) As of 31 March 2016 the contingent liabilities against Banks letter of guarantees issued on behalf of the Group amounted to SR 20.1 million (31 March 2015: SR 10.1 million).

**11. FINANCIAL INSTRUMENTS AND 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, 83% as of 31 March 2016 (2015: 83%) of the Group's trade receivables are due from 5 main customers (2015: 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 period 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 company'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.

**YANBU CEMENT COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

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**12. SEGMENT INFORMATION**

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

**13. APPROVAL OF THE FINANCIAL STATEMENTS**

These interim consolidated financial statements were approved for issuance by the Audit Committee on behalf of the Board of Directors on 10 Rajab 1437H, corresponding to 17 April 2016.