YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016
with
INDEPENDENT AUDITORS' REPORT

KPMG Al Fozan & Partners
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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 referred to as "the Group") which comprise the consolidated balance sheet as at December 31, 2016 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 24 which form an integral part of these 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 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.

KPMG

Opinion

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

1) present fairly, in all material respects, the financial position of Yanbu Cement Company and its subsidiary as at December 31, 2016 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
Certified Public Accountants

Ebrahim Oboud Baeshen
License No. 382

8 Jumada Al Awal 1438H
Corresponding to 5 February 2017

KPMG Al Fozan & Partners
Certified Public Accountants
C.R. 46

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET
As at December 31, 2016
Expressed in Saudi Riyals

	Note	2016	2015
ASSETS			
Current assets			
Cash and cash equivalents	4	**111,019,255**	286,751,264
Trade receivables		**164,345,351**	219,612,753
Inventories	5	**558,470,844**	528,851,919
Due from a related party	22 - a	--	323,640
Prepayments and other current assets	6	**29,166,348**	24,897,276
Total current assets		**863,001,798**	1,060,436,852
Non-current assets			
Property, plant and equipment	7	**3,165,369,982**	3,106,371,356
Total non-current assets		**3,165,369,982**	3,106,371,356
Total assets		**4,028,371,780**	4,166,808,208
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of long term loans	8	**67,108,000**	57,108,000
Trade payables		**8,445,521**	13,246,370
Dividends payable	9	**73,232,777**	70,335,412
Zakat provision	18- b	**14,617,769**	19,493,633
Accrued expenses and other current liabilities	10	**106,869,799**	96,160,883
Total current liabilities		**270,273,866**	256,344,298
Non-current liabilities			
Long term loans	8	**144,780,000**	101,139,000
Employees' end of service benefits	11	**53,926,578**	74,188,743
Total non-current liabilities		**198,706,578**	175,327,743
Total liabilities		**468,980,444**	431,672,041
EQUITY			
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		**1,165,455,395**	1,340,904,011
Total equity attributable to the Company's shareholders		**3,527,955,395**	3,703,404,011
Non-controlling interest		**31,435,941**	31,732,156
Total equity		**3,559,391,336**	3,735,136,167
Total liabilities and equity		**4,028,371,780**	4,166,808,208

The accompanying notes 1 through 24 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, 2016
Expressed in Saudi Riyals

	Note	2016	2015
Sales		**1,286,292,434**	1,612,978,182
Costs of sales		**(671,831,280)**	(741,514,650)
Gross profit		**614,461,154**	871,463,532
Selling and distribution expenses	14	**(12,289,360)**	(13,916,834)
General and administrative expenses	15	**(29,951,479)**	(31,874,733)
Income from operations		**572,220,315**	825,671,965
Early settlement program expenses	16	**(23,117,729)**	--
Other income	17	**7,331,376**	3,558,249
Financial charges		**(5,691,094)**	(7,544,370)
Net income before Zakat and non-controlling interest		**550,742,868**	821,685,844
Zakat	18- a	**(14,337,699)**	(15,475,241)
Net income before non-controlling interest		**536,405,169**	806,210,603
Non-controlling interest		**(903,785)**	(126,755)
Net income		**535,501,384**	806,083,848
Earnings per share from:	19		
- Income from operations		**3.63**	5.24
- Other income		**0.05**	0.02
- Net income		**3.40**	5.12

The accompanying notes 1 through 24 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, 2016
Expressed in Saudi Riyals

	Note	2016	2015
Operating activities			
Net income before Zakat and non-controlling interest		**550,742,868**	821,685,844
Adjustments for:			
Depreciation	7	**222,070,147**	209,030,691
Amortization of deferred financing costs	8	**2,892,000**	2,892,000
(Reversal) / formation of slow moving spare parts provision	5	**(11,793,108)**	7,064,094
Gain on disposal of property, plant and equipment	17	**--**	(66,000)
Employees' end of service benefits provision for the year, net	11	**11,429,380**	13,178,514
		775,341,287	1,053,785,143
Changes in operating assets and liabilities			
Trade receivable		**55,267,402**	(28,247,109)
Inventory		**(17,825,817)**	15,376,562
Due from a related party		**323,640**	(323,640)
Prepayments and other current assets		**(4,269,072)**	(90,686)
Trade payables		**(4,800,849)**	(8,525,432)
Accrued expenses and other current liabilities		**10,708,916**	(853,457)
Employees' end of service benefits paid	11	**(31,691,545)**	(4,662,134)
Zakat paid	18- b	**(19,213,563)**	(17,536,124)
Net cash provided by operating activities		**763,840,399**	1,008,923,123
Investing activities			
Purchase of property, plant and equipment	7	**(281,068,773)**	(128,215,957)
Proceeds from disposal of property, plant and equipment		**--**	66,000
Net cash used in investing activities		**(281,068,773)**	(128,149,957)
Financing activities			
Bank facilities obtained		**110,749,000**	--
Bank facilities paid		**(60,000,000)**	(252,012,405)
Dividends paid to shareholders	9	**(705,852,635)**	(627,870,808)
Dividends paid to non-controlling interest		**(1,200,000)**	(1,600,000)
Board of Directors' remunerations		**(2,200,000)**	(2,200,000)
Net cash used in financing activities		**(658,503,635)**	(883,683,213)
Net change in cash and cash equivalents		**(175,732,009)**	(2,910,047)
Cash and cash equivalents at the beginning of the year		**286,751,264**	289,661,311
Cash and cash equivalents at the end of the year	4	**111,019,255**	286,751,264

The accompanying notes 1 through 24 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, 2016
Expressed in Saudi Riyals

		Equity attributable to the Company's shareholders					
	Note	Capital	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2015		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)	--	(630,000,000)
Dividends to non-controlling interest		--	--	--	--	(1,600,000)	(1,600,000)
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**
Net income for the year		--	--	**535,501,384**	**535,501,384**	**903,785**	**536,405,169**
Dividends	9	--	--	**(708,750,000)**	**(708,750,000)**	--	**(708,750,000)**
Dividends to non-controlling interest		--	--	--	--	**(1,200,000)**	**(1,200,000)**
Board of Directors' remunerations		--	--	**(2,200,000)**	**(2,200,000)**	--	**(2,200,000)**
Balance at December 31, 2016		**1,575,000,000**	**787,500,000**	**1,165,455,395**	**3,527,955,395**	**31,435,941**	**3,559,391,336**

The accompanying notes 1 through 24 form an integral part
of these consolidated financial statements.

Expressed in Saudi Riyals

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 pozolanic 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”):

Subsidiary’s name	Country of incorporation	Ownership percentage
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.

2. BASIS OF PREPARATION (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary 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:

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-financial 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- financial 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.

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 to 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.

For the spare parts, they are classified as inventory when they are used on the production lines on an ongoing basis for the purpose of non-stop production and it is not expected to increase the use full life of the production lines or it production capacity and when the useful life for the spare parts is not more than a year from the date of usage.

Net realisable value comprises estimated selling price in the ordinary course of business, less far 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.

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:

	Years
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.

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.

<u>Sale of goods</u>
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 the General Authority of Zakat and Income Tax in Saudi Arabia ("GAZT"). Zakat is accrued and charged to the statement income currently. Additional zakat liability, if any, related to prior years' assessments arising from GAZT are accounted for in the period in which the final assessments are finalized.

Expressed in Saudi Riyals

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 GAZT 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:

	2016	2015
Cash at bank - current accounts	**110,632,751**	284,230,735
Cheques under collection	**224,760**	2,296,000
Cash in hand	**161,744**	224,529
	111,019,255	286,751,264

Expressed in Saudi Riyals

5. INVENTORIES

(a) Inventories at December 31 comprise the following:

	Note	2016	2015
Spare parts		**355,910,229**	357,708,338
Work-in-progress		**274,118,456**	250,591,711
Raw materials		**26,598,611**	32,952,312
Oil and fuel		**10,286,035**	7,500,506
Packaging materials		**5,889,013**	6,578,679
Other materials		**1,127,766**	772,747
		673,930,110	656,104,293
Less: Provision for slow moving spare parts	5 –b	**(115,459,266)**	(127,252,374)
		558,470,844	528,851,919

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

	2016	2015
Balance at beginning of the year	**127,252,374**	120,188,280
Additions during the year	--	7,064,094
Provision for obsolete items during the year	**(11,793,108)**	--
Balance at end of the year	115,459,266	127,252,374

6. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	2016	2015
Deposits and other receivables	**17,430,255**	9,421,308
Employees' loans	**6,632,929**	9,897,069
Prepaid expenses	**5,103,164**	5,578,899
	29,166,348	24,897,276

Expressed in Saudi Riyals

7. PROPERTY, PLANT AND EQUIPMENT

(a) Movement in property, plant and equipment for the year ending December 31, 2016 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 2016**	Total 2015
Cost:												
At the beginning of the year	4,805,116	517,935,603	23,682,301	465,393,341	16,360,228	4,733,989,718	44,966,388	116,638,716	30,339,502	120,221,498	**6,074,332,411**	5,947,944,494
Additions	--	--	--	570,112	--	16,100,378	60,000	1,094,400	3,705,612	259,538,271	**281,068,773**	128,215,957
Disposals	--	--	--	--	--	--	--	--	(8,399,414)	--	**(8,399,414)**	(1,828,038)
Transfers	--	379,520	--	91,056,156	--	21,723,388	--	--	--	(113,159,064)	--	--
At the end of the year	4,805,116	518,315,123	23,682,301	557,019,609	16,360,228	4,771,813,484	45,026,388	117,733,116	25,645,700	266,600,705	**6,347,001,770**	6,074,332,413
Depreciation:												
At the beginning of the year	--	372,705,023	7,107,108	210,815,313	16,360,228	2,234,621,079	11,753,659	94,194,812	20,403,833	--	**2,967,961,055**	2,760,758,404
Charge for the year	--	9,049,366	817,585	14,419,366	--	180,771,289	1,510,683	10,971,100	4,530,758	--	**222,070,147**	209,030,691
Disposals	--	--	--	--	--	--	--	--	(8,399,414)	--	**(8,399,414)**	(1,828,038)
At the end of the year	--	381,754,389	7,924,693	225,234,679	16,360,228	2,415,392,368	13,264,342	105,165,912	16,535,177	--	**3,181,631,788**	2,967,961,057
NBV as at December 31, 2016	**4,805,116**	**136,560,734**	**15,757,608**	**331,784,930**	--	**2,356,421,116**	**31,762,046**	**12,567,204**	**9,110,523**	**266,600,705**	**3,165,369,982**	
NBV as at December 31, 2015	4,805,116	145,230,580	16,575,193	254,578,028	--	2,499,368,639	33,212,729	22,443,904	9,935,669	120,221,498		3,106,371,356

Expressed in Saudi Riyals

7. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Capital work in progress represents, 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. 1.74 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:

	Note	2016	2015
Cost of sales		**221,060,872**	208,069,027
Selling and distribution expenses	14	**642,516**	661,953
General and administrative expenses	15	**366,759**	299,711
		222,070,147	209,030,691

(f) The cost of property, plant and equipment that are fully depreciated and still in the operation as at December 31, 2016 amounted to SR 1.28 billion (compared to SR. 1.2 billion as at December 31, 2015), the Company's management has reviewed the estimated useful lives of these assets and believes that no adjustment is needed as those assets are not used in operations consistently.

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 234.6 million (2015: SR 272.3 million). The facilities bear financial charges on prevailing market rates at SIBOR plus margin as defined in the facilities agreements.

Expressed in Saudi Riyals

8. LONG-TERM BORROWINGS (continued)

(b) Long-term borrowings

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

	Note	2016	2015
Saudi Industrial Development Fund (SIDF)	8.1	**101,139,000**	158,247,000
National Commercial Bank loans	8.2	**110,749,000**	--
		211,888,000	158,247,000

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

	2016	2015
Current portion shown under current liabilities	**67,108,000**	57,108,000
Non-current portion shown under non-current liabilities	**144,780,000**	101,139,000
	211,888,000	158,247,000

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 2016 is amounting to SR 105 million (31 December 2015: SR 165 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 consolidated income statement for the year ended as at 31 December 2016 from these costs amounting to SR 2.9 million (31 December 2015: SR 2.9 million).

Expressed in Saudi Riyals

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:

	2016	2015
Total loan	**105,000,000**	165,000,000
Less: Deferred finance charges	**(3,861,000)**	(6,753,000)
	101,139,000	158,247,000

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 entered into new bank facilities agreements amounting to SR 250 million with the National Commercial Bank to finance the construction of power generating plant from wasted thermal energy project with no guarantees. The company utilized a portion of SR 110.7 million from the loan as of 31 December 2016 and will be paid by the end of the utilization period which is limited to 24 months from the date of the signing of the agreement and the actual completion of thermal energy project, on 60 monthly premium evenly and the due date for the latest installment 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 completing the project and identifying the total utilized and used balance.

- 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 December 2015.

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

- The aggregate maturities of borrowings as of December 31, 2016 are as follows:

	Amount in SR
2017	**67.108.000**
2018	**34.031.000**
Total	**101,139,000**

The payment schedule of National Commercial Bank loan amounting to SR 110.7 million related to the thermal energy project is not yet calculated as it will be agreed with bank after finishing the project.

Expressed in Saudi Riyals

9. DIVIDENDS PAYABLE

The movement in the dividends payable during the year ended December 31, 2016 is as follows:

	Note	2016	2015
Balance as of January 1		**70,335,412**	68,206,220
Dividends declared during the year	9-1	**708,750,000**	630,000,000
Dividends paid during the year		**(705,852,635)**	(627,870,808)
Balance as of December 31		**73,232,777**	70,335,412

9-1 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 dividends for the second half for the year 2015 amounting to SR 551.25 million (2015: SR 393.75 million) based on SR 3.5 for each share (2015: SR 2.5 for each share) as 35% of the Capital (2015: 25% of the capital) to be eligible to the shareholders registered in the Stock Exchanges (Tadawul) records at the end of trading day of the ordinary general assembly meeting date.

On June 22, 2016 the Board of Directors recommended to distribute half year dividends for the year 2016 by total amount of SR 157.5 million based on SR 1 for each share representing 10% of the capital to be eligible to the shareholders registered in the Stock Exchanges (Tadawul) records at the end of trading day August 1, 2016.

9-2 Subsequent to the balance sheet date, the Board of Directors recommended to distribute dividends for the second half of 2016 with SR 2 per share representing 20% of the capital, subject to approval of the General Assembly meeting.

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

	Note	2016	2015
Accrued queries fees	10-1	**45,531,743**	49,450,324
Accrued expenses		**15,851,122**	22,397,983
Service providers creditors		**28,808,792**	13,610,865
Advances from customers		**5,124,744**	5,276,385
Custom duties		**10,368,442**	3,436,511
Employee related accruals		**138,411**	994,163
Social insurance		**991,970**	945,110
Others		**54,575**	49,542
		106,869,799	96,160,883

(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.

Expressed in Saudi Riyals

11. EMPLOYEES' END OF SERVICES BENEFITS

	2016	2015
Balance at the beginning of the year	**74,188,743**	65,672,363
Additions during the year	**11,429,380**	13,178,514
Payments during the year	**(31,691,545)**	(4,662,134)
Balance at the end of the year	**53,926,578**	74,188,743

12. CAPITAL

As at December 31, 2016, the Authorized, issued and paid up share capital of the Company was SR 1,575 billion (2015: SR 1,575 billion) divided into 157.5 million shares (2015: 157.5 million shares) of SR 10 value for each (2015: SR 10).

13. STATUTORY RESERVE

As required by 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:

	Note	2016	2015
Employee costs		**8,367,380**	8,448,225
Donations and social responsibility	14-1	**1,874,999**	3,372,912
Depreciation	7	**642,516**	661,953
Advertisement and publicity		**113,600**	479,376
Secondment expenses		**346,114**	139,853
Repair and maintenance		**179,922**	46,364
Fees and subscriptions		**6,540**	10,825
Other		**758,289**	757,326
		12,289,360	13,916,834

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.

Expressed in Saudi Riyals

15. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Note	**2016**	2015
Employee costs		**24,036,025**	25,135,241
Professional and consultancy fees		**1,664,850**	2,918,837
Repair and maintenance		**810,526**	734,189
Fees and subscriptions		**707,397**	560,396
Advertisement and publicity		**258,577**	516,989
Utilities, telephone and communication		**376,343**	413,682
Depreciation	7	**366,759**	299,711
Others		**1,731,002**	1,295,688
		29,951,479	31,874,733

16. EARLY SETTLEMENT PROGRAM

As of 22 December 2016, the Board of Directors approved the issuance of the early settlement program to employees (Golden Cheque) and a number of employees joined the program and the cost of this program amounted to SR 23.1 million. The total amount was recorded in the consolidated statement of income f

17. OTHER INCOME

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

	2016	2015
Scrap sales	**2,002,000**	--
Compensation from insurance companies	**1,186,461**	816,927
Settlements of customers' accounts	**927,601**	--
Custom fees refunds	**725,000**	587,035
Human Resources Development Fund	**722,006**	1,469,254
Employees service income	**543,894**	226,100
Bank deposits income	**527,431**	--
Cement dust sales	**66,149**	106,538
Gain on disposal of property, plant and equipment	--	66,000
Other	**630,834**	286,395
	7,331,376	3,558,249

Expressed in Saudi Riyals

18. ZAKAT

(a) Charge for the year

The Company and its subsidiary, submit separate assessments to the general authority for Zakat and Tax 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:

	2016	2015
For current year	**14,337,699**	15,358,740
For previous year	**--**	116,501
	14,337,699	15,475,241

(b) Zakat provision

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

	2016	2015
Balance at beginning of the year	**19,493,633**	21,554,516
Charge for the year	**14,337,699**	15,475,241
Paid during the year	**(19,213,563)**	(17,536,124)
	14,617,769	19,493,633

(c) Zakat status

Yanbu Cement Company (A Saudi Joint Stock Company)

Zakat assessment has been finalized with the General Authority for Zakat and Income Tax (GAZT) till the year ended December 31, 2011. The Company has filed its Zakat returns for the years from 2012 to 2015. GAZT has made a field inspection for the years 2012 and 2013 and the Company is still waiting for the GAZT assessments.

18. ZAKAT (continued)

Yanbu Saudi Kuwaiti Paper Products Company (Subsidiary)

Zakat assessment has been finalized with GAZT for the years up to December 31, 2008. The Company has filed its zakat returns for the years from December 31, 2009 until 2014. GAZT made a field inspection for these years resulted in claiming 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 filed an objection amounted to SR 645 and replied to the enquiries of GAZT in relation to specific matter. The Company received an updated assessment from GAZT on Rajab 7, 1437H corresponding to April 13, 2016 with differences of SR 357,224 which the subsidiary had also objected and filed an objection on June 19, 2016 and is still waiting for the reply from GAZT and the updated assessment.

The Company has filed its Zakat returns and paid Zakat for the year 2015 and still waiting for GAZT assessment.

19. 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, 2016 are calculated based on the outstanding number of shares during the year amounting to 157.5 million shares (December 31, 2015: 157.5 million shares).

20. 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.

21. COMMITMENTS AND CONTINGENCIES

a) As of December 31, 2016 the capital commitments related to projects under construction amounted to approximately SR 25.7 million (2015: SR 215 million).

b) As of December 31, 2016 the contingent liabilities against Bank's letter of guarantees issued on behalf of the Group amounted to SR 20.3 million with no security margin paid, (2015: an amount of SR 10.1 million with no security margin paid) and contingent liabilities letter of credits by the amount of SR 2.4 million without security margin paid against it (2015: amount of SR 104 million without security margin paid against it).

Expressed in Saudi Riyals

22. 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;

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

(a) Due from related party

Related party	Nature of transactions	Value of transactions 2016	Value of transactions 2015	Closing balance 2016	Closing balance 2015
Shuaiba Industrial Company	Payments on behalf on Shuaiba Industrial Company	--	323,640	--	323,640

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:

Related party	Nature of transactions	Value of transactions 2016	Value of transactions 2015
Key management personnel	Salaries, allowances and remunerations	**6,612,795**	7,136,013

23. 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.

23. RISK MANAGEMENT (continued)

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, 69% as of December 31, 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 year are in Saudi Riyal and U.S Dollars and there is no significant risks related to balance stated at US Dollars since the exchange of Saudi Riyal against the U.S 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.

24. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved for issuance by the Board of Directors on 8 Jumada Al Awal 1438H, corresponding to 5 February 2017.