

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

with

INDEPENDENT AUDITORS' REPORT

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

Expressed in Saudi Riyals

Index	Page number
Independent Auditors' Report	
Consolidated balance sheet	1
Consolidated statement of income	2
Consolidated statement of cash flows	3
Consolidated statement of changes in equity	4
Notes to the consolidated financial statements	5 – 22

**KPMG Al Fozan & Al Sadhan**

Zahrán Business Centre, Tower A, 9th Floor
Prince Sultan Street
PO Box 55078
Jeddah 21534
Kingdom of Saudi Arabia

Telephone +966 12 698 9595
Fax +966 12 698 9494
Internet www.kpmg.com.sa

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 referred as "the Group") which comprise the consolidated balance sheet as at December 31, 2013 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 the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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 Articles of Association and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 consolidated financial position of the Group as at December 31, 2013 and the results of its consolidated 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 ; and
- 2) comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of the financial statements.

For KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshen
License No. 382



Rabi Al Awal 28, 1435H
Corresponding to January 29, 2014

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET

As at December 31, 2013

Expressed in Saudi Riyals

	Notes	2013	2012
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	4	311,194,731	786,452,340
Trade receivables	5	179,967,699	169,189,932
Inventories	6	481,333,517	323,788,127
Prepayments and other current assets	7	59,668,047	20,446,176
Total current assets		1,032,163,994	1,299,876,575
Non-current assets:			
Property, plant and equipment	8	3,280,723,589	3,396,737,373
Total non-current assets		3,280,723,589	3,396,737,373
Total assets		4,312,887,583	4,696,613,948
<u>LIABILITIES AND EQUITY</u>			
Current liabilities:			
Current portion of long term loans	9	280,483,828	275,483,828
Trade payable		45,341,073	43,225,352
Dividends payable	10	65,282,426	57,070,056
Zakat provision	18-B	16,881,060	24,586,754
Accrued expenses and other current liabilities	11	120,127,960	140,189,152
Total current liabilities		528,116,347	540,555,142
Non-current liabilities:			
Long term loans	9	407,367,405	767,851,234
Employee's end of service benefits		62,393,422	54,923,105
Total non-current liabilities		469,760,827	822,774,339
Total liabilities		997,877,174	1,363,329,481
<u>EQUITY</u>			
Equity attributable to the Company's shareholders:			
Capital	12	1,575,000,000	1,050,000,000
Statutory reserve	13	787,500,000	525,000,000
Expansionary reserve	14	--	741,879,357
Retained earnings		918,568,080	985,062,287
Total equity attributable to the Company's shareholders		3,281,068,080	3,301,941,644
Non controlling interest		33,942,329	31,342,823
Total equity		3,315,010,409	3,333,284,467
Total liabilities and equity		4,312,887,583	4,696,613,948

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, 2013

Expressed in Saudi Riyals

	<u>Note</u>	<u>2013</u>	<u>2012</u>
Net sales		1,620,260,535	1,496,498,571
Costs of sales		(735,153,298)	(704,453,263)
Gross profit		885,107,237	792,045,308
Selling and distribution expenses	15	(14,194,045)	(10,125,492)
General and administrative expenses	16	(23,934,177)	(24,426,232)
Income from operations		846,979,015	757,493,584
Other income	17	7,255,430	4,516,348
Financial charges		(12,623,517)	(11,854,232)
Net income before Zakat and non controlling interest		841,610,928	750,155,700
Zakat	18-A	(16,364,986)	(24,450,350)
Net income before non controlling interest		825,245,942	725,705,350
Non controlling interest		(3,919,506)	(5,222,550)
Net income		821,326,436	720,482,800
Earnings per share from:	20		
- Income from operations		5.38	4.81
- Other Income		0.05	0.03
- Net income		5.21	4.57

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, 2013

Expressed in Saudi Riyals

	<u>Note</u>	<u>2013</u>	<u>2012</u>
Operating activities			
Net income		821,326,436	720,482,800
Adjustments to reconcile the net income with net cash from operating activity:			
Depreciation	8	206,204,414	187,608,214
Amortization of deferred finance charge	9	2,892,000	2,149,125
(Gain) on disposal of property, plant and equipment	17	(108,500)	(580,457)
Zakat charge	18-A	16,364,986	24,450,350
Share of non controlling interest in the income of the subsidiary		3,919,506	5,222,550
Employee's end of service benefits charge for the year		12,627,716	10,359,298
		<u>1,063,226,558</u>	<u>949,691,880</u>
Changes in operating assets and liabilities			
Trade receivables		(10,777,767)	524,785
Inventories		(157,545,390)	(19,240,239)
Prepayments and other current assets		(39,221,871)	2,065,640
Trade payable		2,115,721	(105,305,006)
Accrued expenses and other current liabilities		(20,061,192)	19,566,246
Employee's end of service benefit paid		(5,157,399)	(12,085,265)
Zakat paid	18-B	(24,070,680)	(19,001,265)
Net cash from operating activities		<u>808,507,980</u>	<u>814,216,776</u>
Investing activities			
Purchase of property, plant and equipment	8	(90,190,630)	(81,248,680)
Proceeds on disposal of property, plant and equipment		108,500	1,682,578
Net cash used in investing activities		<u>(90,082,130)</u>	<u>(79,566,102)</u>
Financing activities			
Bank facilities received		--	30,000,000
Bank facilities paid		358,375,829	(253,375,828)
Bank overdraft		--	(1,923,460)
Deferred finance charges		--	(17,578,125)
Dividends paid to shareholders	10	(831,787,630)	(261,080,282)
Dividends paid to non controlling interest		(1,320,000)	(2,400,000)
Board of Directors' remunerations		(2,200,000)	(2,200,000)
Net cash used in financing activities		<u>(1,193,683,459)</u>	<u>(508,557,695)</u>
Net change in cash and cash equivalents		(475,257,609)	228,092,979
Cash and cash equivalents at the beginning of the year		<u>786,452,340</u>	<u>558,359,361</u>
Cash and cash equivalents at the end of the year	4	<u>311,194,731</u>	<u>786,452,340</u>

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, 2013

Expressed in Saudi Riyals

	Total equity attributable to the Company's shareholders					Non-controlling interest	Total equity
	Capital	Statutory reserve	Expansionary reserve	Retained earnings	Total		
Balance at January 1 st , 2012	1,050,000,000	525,000,000	741,879,357	529,279,487	2,846,158,844	28,520,273	2,874,679,117
Net income for the year	--	--	--	720,482,800	720,482,800	5,222,550	725,705,350
Dividends	--	--	--	(262,500,000)	(262,500,000)	(2,400,000)	(264,900,000)
Board of Directors' remunerations	--	--	--	(2,200,000)	(2,200,000)	--	(2,200,000)
Balance at December 31, 2012	1,050,000,000	525,000,000	741,879,357	985,062,287	3,301,941,644	31,342,823	3,333,284,467
Net income for the year	--	--	--	821,326,436	821,326,436	3,919,506	825,245,942
Transferred as increase in capital	525,000,000	--	(525,000,000)	--	--	--	--
Transfer to statutory reserve	--	262,500,000	(216,879,357)	(45,620,643)	--	--	--
Dividends	--	--	--	(840,000,000)	(840,000,000)	(1,320,000)	(841,320,000)
Board of Directors' remunerations	--	--	--	(2,200,000)	(2,200,000)	--	(2,200,000)
Balance at December 31, 2013	1,575,000,000	787,500,000	--	918,568,080	3,281,068,080	33,942,329	3,315,010,409

The accompanying notes 1 through 24 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, 2013

Expressed in Saudi Riyals

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

The consolidated financial statements comprise the financial statements of the parent company. Yanbu Cement Company and its subsidiary as detailed below:

<u>Company'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 company is engaged in the manufacture of all kinds of cement paper bags and wholesale trade in paper bags of 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

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

(c) Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Riyals

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgments

The preparation of consolidated financial statements requires management to make some 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 the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Impairment of trade receivable
An estimate of the collectible amount of trade receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due.
- Impairment of slow moving inventories
Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and an allowance applied according to the inventory type and the degree of ageing or obsolescence, based on expected selling prices.
- Useful lives for property, plant and equipments
The Group's management determines the estimated useful lives of its property, plant and equipments for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.
- Impairment of non-financial assets
Property, plant and equipment and other 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiary, as explained in Note (1) above.

- **Subsidiary**

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 subsidiary is 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 consolidated financial statements.

The financial statements for the subsidiary prepared for the same financial period for the Group using the same accounting policies.

- **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 recognized directly in equity under "Effect of acquisitions transaction with non controlling interest shareholders without change in control", Purchase of equity by the amount exceeding the carrying value of the net share acquired will result in trading goodwill. Disposals to non controlling interest, if any, result in gains and losses for the group that are recorded in the income statement if control is lost.

Trade receivables

Trade receivables are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Riyals

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 moving 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.

Deferred costs

Deferred costs represents the industrial evaluation costs relating to line 5 project which will be amortized using straight line method over the loan period. Deferred costs measured at cost less the accumulated amortization. And presented as a deduction from the loan principle.

Property, plant and equipments

Property, plant and equipments is stated at cost less accumulated depreciation and any impairment in value, if any. Cost includes expenditure that is 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.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipments. All other expenditures including repairs and maintenance, which not increase the useful production life of the assets, is 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 individual item of property, plant and equipments.

Expenditures for repairs and maintenance are charged to 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 equipments 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 buildings and paper products factory plant and equipment relating to the subsidiary are depreciated using the units of production method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Riyals

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipments (continued)

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

	<u>Years</u>
Factory buildings	25
Paper factory production buildings	30
Buildings and other constructions	40
Berth	20
Machinery and equipment	25
Paper factory 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.

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.

Employee's end of service benefits

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to 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.

Revenue recognition

Sales is recognized, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably normally on delivery to the customer net of trade and quantity discounts.

Expenses

Selling and distribution expenses are those arising from the Company's efforts underlying the selling and distribution functions. All other expenses, excluding direct costs 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 a consistent basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Riyals

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Payments under operating leases are recognized in the consolidated statement of income on a straight-line basis over the term of the lease.

Zakat

The Company and its subsidiary are subject to zakat in accordance with Saudi Arabian Zakat rules and regulations on accrual basis. The liability is charged to the consolidated statement of income in an independent item.

Translation of foreign currencies

Transactions denominated in foreign currencies are translated to the functional currency 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 at the balance sheet date. Exchange differences arising on translation are recognized in the consolidated statement of income.

Dividends

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

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash in hand, time deposits and investments in mutual funds readily convertible to cash and has a maturity of 3 months or less as at the original investment date.

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.

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Riyals

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, comprise the following:

	<u>2013</u>	<u>2012</u>
Cash in hand	129,062	98,846
Cheques under collection	3,228,750	3,304,500
Cash at bank – current accounts	307,836,919	783,048,994
	<u>311,194,731</u>	<u>786,452,340</u>

5. TRADE RECEIVABLES

Trade receivables as at December 31, comprise the following:

	<u>2013</u>	<u>2012</u>
Customers	179,967,699	169,189,932

Trade receivables are secured by letters of guarantees and documentary letters of credit. The largest five customers account represents 70% of outstanding trade receivables as of December 31, 2013 (2012: 72%).

6. INVENTORIES

Inventories as at December 31 comprise the following:

	<u>2013</u>	<u>2012</u>
Spare parts	333,089,054	307,512,157
Work-in-progress	199,628,825	68,440,260
Raw materials	47,035,857	52,310,064
Packaging materials	11,443,411	5,410,336
Oil and fuel	5,863,920	7,734,140
Other materials	972,939	569,660
	<u>598,034,006</u>	<u>441,976,617</u>
Less: Provision for slow moving spare parts	<u>(116,700,489)</u>	<u>(118,188,490)</u>
	<u>481,333,517</u>	<u>323,788,127</u>

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Riyals

7. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	<u>2013</u>	<u>2012</u>
Employees' advances (7-1)	3,680,262	7,277,643
Prepaid expenses	5,207,033	5,445,747
Deposits and other receivables	15,244,393	6,209,408
Margins on letters of guarantee and letters of credit (Note 21)	<u>35,536,359</u>	<u>1,513,378</u>
	<u>59,668,047</u>	<u>20,446,176</u>

(7-1) Employees' advances are secured by the end of the service benefits.

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Riyals

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movement in property, plant and equipment for the year ending December 31, 2013 are as follow:

Cost:	Land	Factory Building	Paper factory buildings	Other buildings & constructions	Berth	Machinery & equipment	Paper factory machinery & equipment	Vehicles & truck	Furniture & other assets	Capital Work-in-progress	Total 2013	Total 2012
Beginning of the year	4,805,116	517,810,603	23,682,301	345,456,534	16,360,228	4,635,822,829	44,786,388	107,799,549	22,819,609	30,026,605	5,749,369,762	5,673,232,883
Additions	--	--	--	--	--	2,098,963	--	7,244,869	3,216,768	77,630,030	90,190,630	81,248,681
Disposals	--	--	--	--	--	--	--	(1,049,380)	(4,377,690)	--	(5,427,070)	(5,111,802)
Transfers	--	125,000	--	59,785,610	--	824,123	--	--	--	(60,734,733)	--	--
At the end of the year	4,805,116	517,935,603	23,682,301	405,242,144	16,360,228	4,638,745,915	44,786,388	113,995,038	21,658,687	46,921,902	5,834,133,322	5,749,369,762
Depreciation:												
Beginning of the year	--	345,625,527	4,774,937	176,397,152	16,360,228	1,724,756,214	7,126,569	62,649,562	14,942,200	--	2,352,632,389	2,169,033,856
Charge for the year	--	2,291,091	817,585	16,751,182	--	170,225,382	1,619,801	10,994,786	3,504,587	--	206,204,414	187,608,214
Disposals	--	--	--	--	--	--	--	(1,049,380)	(4,377,690)	--	(5,427,070)	(4,009,681)
At the end of the year	--	347,916,618	5,592,522	193,148,334	16,360,228	1,894,981,596	8,746,370	72,594,968	14,069,097	--	2,553,409,733	2,352,632,389
As at December 31, 2013	4,805,116	170,018,985	18,089,779	212,093,810	--	2,743,764,319	36,040,018	41,400,070	7,589,590	46,921,902	3,280,723,589	3,396,737,373
As at December 31, 2012	4,805,116	172,185,076	18,907,364	169,059,382	--	2,911,066,615	37,659,819	45,149,987	7,877,409	30,026,605		

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Riyals

8. PROPERTY, PLANT AND EQUIPMENT (continued)

- (b) Additions did not include interests capitalized during the year 2013 (2012: SR 3.5 million).
- (c) Capital work in progress represents residential buildings being built for employees in the Factory site, and a security fence around the plant and dust filter for the Fourth line.
- (d) The Company obtained the right to franchise 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.
- (e) All plants and equipments of fifth production line are mortgaged to Saudi Industrial Development Fund (SIDF) against long term loan from SIDF (Note 9).
- (f) Depreciation charge for the year ended December 31, is allocated as follows:

	<u>2013</u>	<u>2012</u>
Cost of sales	205,397,981	182,632,367
Selling and distribution expenses (Note 15)	637,082	779,133
General and administrative expenses (Note 16)	169,351	601,332
Capital work-in-progress	--	3,595,382
	<u>206,204,414</u>	<u>187,608,214</u>

- (g) The cost of property, plant and equipment that are fully depreciated and still in the operation as at December 31, 2013 amounting to SR 1.2 billion (compared to SR. 1.1 billion as at December 31, 2012), the Company's management has reviewed the estimated useful lives of these assets and believes that no need to be adjust it.

9. LONG TERM LOANS

Long-term loans at December 31, comprise of the following:

	<u>2013</u>	<u>2012</u>
Saudi Industrial Development Fund (SIDF) (9-1)	242,463,000	274,571,000
National Commercial Bank loans (9-2)	445,388,233	768,764,062
	<u>687,851,233</u>	<u>1,043,335,062</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Riyals

9. LONG TERM LOANS (continued)

Presented in the consolidated balance sheet as follows:

	<u>2013</u>	<u>2012</u>
Current portion shown under current liabilities	280,483,828	275,483,828
Non-current portion shown under non-current liabilities	407,367,405	767,851,234
	<u>687,851,233</u>	<u>1,043,335,062</u>

(9-1) 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 total outstanding balance as of December 31, 2013 is amounting to SR 255 million (December 31, 2012: SR 290 million) from the total approved loan amount of SR 300 million out of which an amount of SR 22.5 million is deducted. 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 equipments of fifth production line. 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 December 31, 2013 from these costs amounting to SR 2.1 million (2012: SR 2.1 million).

The SIDF loan balance represented as of December 31, as follows:

	<u>2013</u>	<u>2012</u>
Total Loan	255,000,000	290,000,000
Less: Deferred finance charges	(12,537,000)	(15,429,000)
	<u>242,463,000</u>	<u>274,571,000</u>

(9-2) 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 2013, an amount of SR 80 million was paid as an early settlement of bank installments, accordingly it will end October 31, 2015.

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Riyals

9. LONG TERM LOANS (continued)

- Yanbu Saudi Kuwaiti Products Company (a Subsidiary) obtained bank facilities from the National Commercial Bank amounting to SR 12 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 starts from 1 January 2012 by SR 281,319 monthly installment and will be ending on 14 August 2014.

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

10. DIVIDENDS PAYABLE

The movement in the dividends payable during the year ended December 31, 2013 is as follows:

	<u>2013</u>	<u>2012</u>
Balance as of January	57,070,056	55,650,338
Dividends declared during the year (10-1)	840,000,000	262,500,000
Dividends paid during the year	<u>(831,787,630)</u>	<u>(261,080,282)</u>
Balance as of December 31,	<u>65,282,426</u>	<u>57,070,056</u>

(10-1) The Ordinary General Assembly meeting number thirty two held on Sunday Jumada Al Awal 12, 1434H, corresponding to March 24, 2013, has approved to distribute dividends for the year 2012 amounting to SR 525 million (2011: SR 262.5 million) based on SR 5 for each share (2011: SR 2.5 for each share) as 50% of the Capital (2011: 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.

On July 15, 2013, the Board of Directors approved to distribute half year dividends for the year 2013 by total amount of SR 315 million based on SR 2 for each share as 20% of the Capital to be eligible to the shareholders registered in the Stock Exchanges (Tadawel) records at the end of trading day July 16, 2013.

11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

	<u>2013</u>	<u>2012</u>
Accrued expenses	87,514,248	114,887,180
Advances from customers	5,009,823	5,649,309
Social insurance	589,208	557,443
Other payables	<u>27,014,681</u>	<u>19,095,220</u>
	<u>120,127,960</u>	<u>140,189,152</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Riyals

12. CAPITAL

Capital of the Company is divided into 157.5 million shares as at December 31, 2013 (2011: 105 million shares) of SR 10 value for each (2012:SR 10).

The Extraordinary General Assembly meeting number sixth held on Sunday Jumada Al Awal 12, 1434H, corresponding to March 24, 2013, has approved to increase the Company's capital by 50% from SR 1.05 billion to SR 1.575 billion, Accordingly the number of shares will be 157.5 million shares instead of 105 million shares, by issuing one bonus share for every two shares owned to be eligible grant to shareholders registered in the Company's records at the end of trading day of the extraordinary general assembly meeting date to strengthen the financial position of the Company. The proposed increase to be covered by the transfer of SR 525 million from the expansionary reserve as of December 2012 and to grouping the fractional shares and sell them for the benefit of eligible shareholders of these shares.

The amendments of Articles (6) and (7) of the Company's Article of Association in respect of the increase in the share capital is in process.

13. STATUTORY RESERVE

As required by Saudi Arabian Regulations for Companies and the Company article of association, the Company must transfer 10% of its net income each year to the statutory reserve until it has built up a reserve equal to 50% of the capital. The limit have been achieved on the previous years, However, the Extraordinary General Assembly number sixth held on Sunday Jumada Al Awal 12, 1434H, corresponding to March 24, 2013, agreed to increase the statutory reserve by the amount of SR 262.5 million to become SR 787.5 million by that the transfer of SR 262.5 million from expansionary reserve and retained earnings to statutory reserve and bringing the statutory reserve after adjustment equal to 50% of the new capital.

14. EXPANSION RESERVE

On March 9, 2011 the ordinary General Meeting approved the transfer of remaining balance of retained earnings for the year ended December 31, 2010, after dividend distribution and directors remuneration to expansion reserve. This reserve was created and used for establishment of production line 5.

The Extraordinary General Assembly meeting number sixth held on Sunday Jumada Al Awal 12, 1434H, corresponding to March 24, 2013, has approved to use the expansionary reserve to increase the Company's capital by the amount of SR 525 million and transfer the remaining balance in the expansionary reserve amounting to SR 216.9 million to the statutory reserve increase.

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Riyals

15. SELLING AND DISTRIBUTION EXPENSES

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

	<u>2013</u>	<u>2012</u>
Salaries, wages and other benefits	6,859,019	7,971,981
Donations & social responsibility (15-1)	5,508,275	132,085
Depreciation (note 8)	637,082	779,133
Advertisement and publicity	176,990	127,470
Repair and maintenance	119,889	175,399
Secondment expenses	45,188	100,459
Fees and subscriptions	44,557	86,252
Other	803,045	752,713
	<u>14,194,045</u>	<u>10,125,492</u>

(15-1) During the year, the company has donated to build a number of 20 housing units in the Alnebah village nearby the Company's factory, as well as donations to other parties within the Company's plan for development of the society and to promote the Company name.

16. GENERAL AND ADMINISTRATIVE EXPENSES

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

	<u>2013</u>	<u>2012</u>
Salaries, wages and other benefits	19,965,008	18,680,200
Professional fees	612,435	2,317,500
Fees and subscriptions	601,384	626,660
Marketing & Advertising	376,185	390,120
Repair and maintenance	231,378	558,807
Depreciation (note 8)	169,351	601,332
Others	1,987,436	1,251,613
	<u>23,934,177</u>	<u>24,426,232</u>

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Riyals

17. OTHER INCOME

Other income as at December 31, comprise the following:

	<u>2013</u>	<u>2012</u>
Scrap sales	2,651,000	--
Returned custom fees	2,400,927	759,271
Exchange difference	234,255	588,058
Gain on disposal of property, plant and equipment	108,500	580,457
Compensation from insurance companies	41,093	901,500
Other	1,819,655	1,687,062
	<u>7,255,430</u>	<u>4,516,348</u>

18. ZAKAT

(a) Charge for the year

The Company and its subsidiary, submit a separate assessment to the Department of Zakat and Income Tax (DZIT) on unconsolidated bases using the equity method. The Zakat base for each company have the main elements of equity and provisions, as of the beginning of the year and net adjusted profit, minus deductions for the net book value of property, plant and equipments and investments and some other items. If the Zakat base is negative, the Company has no Zakat payable for the year.

Zakat charge for the year ended December 31 comprises the following:

	<u>2013</u>	<u>2012</u>
For current year	16,364,986	24,450,350

(b) Zakat Provision

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

	<u>2013</u>	<u>2012</u>
Balance at beginning of the year	24,586,754	19,137,669
Charged for the year	16,364,986	24,450,350
Paid during the year	(24,070,680)	(19,001,265)
Balance at end of the year	<u>16,881,060</u>	<u>24,586,754</u>

YANBU CEMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Riyals

19. 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 for these years resulted in claiming the Company to pay an 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, the Company's management are convinced that the Company's position is favorable and therefore has a great opportunity for non-payment, so there is no any provision has been made for these zakat differences.

The Company has filed its Zakat returns for the year 2012 and 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 2012 and settled the amount required and still waiting for the DZIT 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, 2013 are calculated on the base of outstanding number of shares during the period amounting to 157.5 million shares (2012: 157.5 million shares) as the number of share has been adjusted from 105 million shares to 157.5 million shares during the year for the purpose of recalculating the earning per share for the comparative consolidated financial statements as a result of the increase in capital date Jumada Al Awal 12, 1434H, corresponding to March 24, 2013, by issuing one share free for every two shares (see note 12).

20. 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. Subsidiary's financial information are not significant for Group financial statements for segment reporting purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Riyals

21. COMMITMENTS AND CONTINGENCIES

- a) As of December 31, 2013 the capital commitments relating to capital projects under process was amounting to SR 105.8 million approximately (2012: SR 80.5 million).
- b) As of December 31, 2013 the contingent liabilities against Banks letter of guarantees issued on behalf of the Company was amounting to SR 10.1 million, SR 1 million paid against it as security margin (2012: an amount of SR 9.1 million and SR 1.5 million paid against it as security margin) and contingent liabilities letter of credits by the amount of SR 163 million SR 34.5 security margin paid against it (2012: amount of SR 13.7 million no any security margin paid against it)

22. RELATED PARTIES TRANSACTIONS

Related parties transactions mainly represent salaries, allowances and remunerations of key management personnel.

Key management personnel are those persons 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>Amount of transactions</u>	
		<u>2013</u>	<u>2012</u>
Key management personnel	Salaries, allowances and remunerations	<u>6,179,400</u>	<u>4,362,067</u>

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Riyals

23. RISK MANAGEMENT (continued)

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 and related parties, 70% as of December 31, 2013 (2012: 72%) of the Group's trade receivables are due from 5 main customers (2012: 5 customers). Trade receivables are stated at their estimated realizable values. The Company seeks to limit its credit risk with respect to customers by setting limits for individual customers and monitoring outstanding receivables and obtaining letters of guarantee and letters of credit from customers as a guarantee.

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.

24. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements approved for issuance by the Board of Directors on Rabi Al Awal 28, 1435H, corresponding to January 29, 2014.