

Saudi Cement Company
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS

31 DECEMBER 2015

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
SAUDI CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Scope of Audit:

We have audited the accompanying balance sheet of Saudi Cement Company, a Saudi Joint Stock company ("the Company") as at 31 December 2015 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's Board of Directors and have been prepared by them in accordance with the provisions of Article 123 of the Regulations of Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified Opinion:

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

- i) present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young



Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339
7 Jumada'I 1437H
16 February 2016

Alkhobar



Saudi Cement Company
(A Saudi Joint Stock Company)

BALANCE SHEET

As at 31 December 2015

	<i>Note</i>	<i>2015</i> <i>SR "000"</i>	<i>2014</i> <i>SR "000"</i>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	383,000	298,349
Trade accounts receivable	4	226,922	216,665
Inventories	5	754,934	668,528
Prepayments and other receivables	6	51,375	63,357
TOTAL CURRENT ASSETS		1,416,231	1,246,899
NON-CURRENT ASSETS			
Investments in associated companies	8	82,800	86,878
Property, plant and equipment	9	2,876,424	3,109,368
Construction work in progress	10	138,134	64,107
TOTAL NON-CURRENT ASSETS		3,097,358	3,260,353
TOTAL ASSETS		4,513,589	4,507,252
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade accounts payable		90,818	51,854
Accruals and advances from customers	11	120,393	110,597
Islamic financing	12	600,000	600,000
Dividends payable	13	172,395	172,178
Current portion of Saudi Industrial Development Fund loans	14	120,000	115,000
Current portion of liability for charitable contribution	15	30,000	20,000
Zakat provision	16	32,845	36,927
TOTAL CURRENT LIABILITIES		1,166,451	1,106,556
NON-CURRENT LIABILITIES			
Saudi Industrial Development Fund loans	14	-	120,000
Liability for charitable contribution	15	-	30,000
Employees' terminal benefits		91,316	91,366
TOTAL NON-CURRENT LIABILITIES		91,316	241,366
TOTAL LIABILITIES		1,257,767	1,347,922
SHAREHOLDERS' EQUITY			
Share capital	17	1,530,000	1,530,000
Statutory reserve		765,000	765,000
General reserve	18	20,000	20,000
Retained earnings		940,822	844,330
TOTAL SHAREHOLDERS' EQUITY		3,255,822	3,159,330
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,513,589	4,507,252

The attached notes 1 to 27 form part of these financial statements.

Saudi Cement Company
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STATEMENT OF INCOME

Year ended 31 December 2015

	Note	2015 SR "000"	2014 SR "000"
Sales		1,932,393	2,024,587
Cost of sales		(796,371)	(795,530)
GROSS PROFIT		1,136,022	1,229,057
EXPENSES			
Impairment loss of property, plant and equipment	9	(66,150)	-
Selling and distribution	19	(35,129)	(38,091)
General and administration	20	(71,127)	(67,523)
INCOME FROM MAIN OPERATIONS		963,616	1,123,443
Other income		11,559	6,506
Follow-up fees in respect of Saudi Industrial Development Fund loans	14	(3,931)	(5,400)
Islamic financial charges	12	(8,130)	(9,846)
INCOME BEFORE SHARE IN NET RESULTS OF ASSOCIATED COMPANIES AND ZAKAT		963,114	1,114,703
Share in net results of associated companies	8	1,287	(3,692)
INCOME BEFORE ZAKAT		964,401	1,111,011
Zakat	16	(24,209)	(36,927)
NET INCOME FOR THE YEAR		940,192	1,074,084
EARNINGS PER SHARE FOR THE YEAR (SR):			
Attributable to income from main operations		6.30	7.34
Attributable to net income		6.15	7.02
Weighted average number of shares outstanding	17	153,000	153,000

The attached notes 1 to 27 form part of these financial statements.

Saudi Cement Company
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STATEMENT OF CASH FLOWS
Year ended 31 December 2015

	Note	2015 SR "000"	2014 SR "000"
OPERATING ACTIVITIES			
Income before share in net results of associated companies and zakat		963,114	1,114,703
Adjustments for:			
Depreciation of property, plant and equipment		219,296	205,236
Impairment loss of property, plant and equipment		66,150	-
Employees' terminal benefits, net		(50)	6,414
Gain on disposal of property, plant and equipment		(133)	(1,416)
Islamic financial charges		8,130	9,846
		<u>1,256,507</u>	<u>1,334,783</u>
Changes in operating assets and liabilities:			
Receivables		1,725	68,877
Inventories		(86,406)	(121,409)
Payables		48,977	32,041
		<u>1,220,803</u>	<u>1,314,292</u>
Cash from operations			
Islamic financial charges paid		(8,130)	(9,846)
Zakat paid		(28,291)	(37,893)
		<u>1,184,382</u>	<u>1,266,553</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(6,093)	(29,877)
Additions to construction work in progress		(121,305)	(55,877)
Proceeds from disposal of property, plant and equipment		1,002	1,483
Dividends received from associated companies		5,365	894
		<u>(121,031)</u>	<u>(83,377)</u>
Net cash used in investing activities			
FINANCING ACTIVITIES			
Net movement in Islamic financing		-	175,000
Charitable contribution paid		(20,000)	-
Net movement in Saudi Industrial Development Fund loans		(115,000)	(100,000)
Board of Directors' remuneration paid		(2,200)	(2,200)
Dividends paid		(841,500)	(1,071,000)
		<u>(978,700)</u>	<u>(998,200)</u>
Net cash used in financing activities			
INCREASE IN CASH AND CASH EQUIVALENTS		84,651	184,976
Cash and cash equivalents at the beginning of the year		298,349	113,373
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	383,000	298,349

NON-CASH TRANSACTION:

Significant non-cash transaction arose as a result of :

Transfer from construction work in progress to property, plant and equipment	47,278	120,756
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The attached notes 1 to 27 form part of these financial statements.

Saudi Cement Company
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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2015

	<i>Share capital</i> <i>SR "000"</i>	<i>Statutory</i> <i>reserve</i> <i>SR "000"</i>	<i>General</i> <i>reserve</i> <i>SR "000"</i>	<i>Retained</i> <i>earnings</i> <i>SR "000"</i>	<i>Total</i> <i>SR "000"</i>
Balance at 31 December 2013	1,530,000	765,000	20,000	843,446	3,158,446
Net income for the year	-	-	-	1,074,084	1,074,084
Board of directors' remuneration	-	-	-	(2,200)	(2,200)
Dividends (note 13)	-	-	-	(1,071,000)	(1,071,000)
Balance at 31 December 2014	1,530,000	765,000	20,000	844,330	3,159,330
Net income for the year	-	-	-	940,192	940,192
Board of directors' remuneration	-	-	-	(2,200)	(2,200)
Dividends (note 13)	-	-	-	(841,500)	(841,500)
Balance at 31 December 2015	1,530,000	765,000	20,000	940,822	3,255,822

The attached notes 1 to 27 form part of these financial statements.

Saudi Cement Company
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

1 ACTIVITIES

Saudi Cement Company ("the Company") is a Saudi Joint Stock Company incorporated under Royal Decree number 6/6/10/726 dated 8 Rabi' II 1375 H (corresponding to 23 November 1955) and registered in the Kingdom of Saudi Arabia, in the city of Dammam under Commercial Registration number 2050000602 dated 6 Dhul Qaidah 1377 H (corresponding to 24 May 1958). The Company is engaged in manufacturing and selling cement and its related products.

The Company has obtained under the Royal Decree number 10/6/6/8500 dated 26 Rajab 1370H (corresponding to 3 May 1951) the right of the mining concession for the exploitation of limestone, gypsum and clay and all the necessary materials for the manufacture of cement in Al-Hassa for 30 years period. The Company also obtained under the Ministerial Resolution number 45 dated 4 Rabi'I 1405H (corresponding to 27 November 1984) from the Council of Ministers, the right of the mining concession for the exploitation of limestone, gypsum and clay and all the necessary materials for the manufacture of cement in Al-Jadidah (Khashem Em Houdah), with an area of nineteen square kilometers for 30 years period. The Company is in the process to renew it for another period.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

The financial statements are prepared under the historical cost convention.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Cash and cash equivalents

Cash and cash equivalents consist of bank balances, cash on hand and Murabaha investment that is readily convertible into known amounts of cash and has original maturities of three months or less, when purchased.

Accounts receivable

Accounts receivable are stated at the original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when the collection of the account receivable amount is considered doubtful. Bad debts are written off as incurred.

Inventories

Inventories are stated at the lower of cost and market value. Costs are those expenses incurred in bringing each product to its present location and condition and calculated on the following basis:

Spare parts and raw materials	-	purchase cost on a weighted average basis.
Finished goods and work in progress	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Investment in associated companies

Investments in associated companies where the Company has significant influence over the investees' financial and operation decisions, normally when the Company owns stake between 20% to 50% of the capital of the investee company, is accounted for using the equity method.

Property, plant and equipment/depreciation

Property, plant and equipment are initially recorded at cost and are stated at cost less accumulated depreciation and any impairment in value. Freehold land is not depreciated. The cost of other property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment/depreciation (continued)

Improvements on assets are amortised on a straight-line basis over the shorter of the useful life of the improvement or the related assets.

Expenditure for repair and maintenance are charged to statement of income as incurred. Improvements that increase the value or materially extend the useful life of the related assets are capitalised.

Construction work in progress

Construction work in progress are recognised at cost of material and services needed to construct the fixed assets and other costs that can be specifically identified as necessary costs to have these fixed assets ready for its intended use, which then transferred to its category under property, plant and equipment.

Impairment of non-current assets

The carrying values of non-current assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. The excess of carrying value over the estimated recoverable amount is charged to the statement of income.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is charged to the statement of income. Additional amounts, if any, that may become due on finalisation of an assessment are accounted for in the year in which assessment is finalised.

Employees' terminal benefits

Provision is made for amounts payable related to the accumulated periods of service at the balance sheet date in accordance with the employees' contracts of employment.

Dividends

Dividends are recognised as a liability at the time of the shareholders' approval by the Annual General Meeting. Interim dividends are recorded as and when approved by the Board of Directors.

Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, the Company must set aside 10% of its net income in each year until it has built up a reserve equal to one half of the share capital. This having been achieved. The reserve is not available for distribution.

Revenue recognition

Sales represent the invoiced value of goods supplied by the Company during the year. Revenues from sale of goods are recognised when 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses

Selling and distribution expenses are those that specifically relate to marketing personnel, advertisements, promotions as well as bad debts expense. All other expenses other than follow-up fees in respect of Saudi Industrial Development Fund loan, Islamic financial charges and impairment loss are allocated on a consistent basis to cost of sales and general and administration expenses in accordance with allocation factors determined as appropriate by the Company.

Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset are capitalised up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the statement of income.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals (SR) at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to statement of income.

Earnings per share

Earnings per share from main operations is calculated by dividing the income from main operations for the year by the weighted average number of ordinary shares outstanding during the year.

Earnings per share from net income is calculated by dividing the net income for the year by the weighted average number of ordinary shares outstanding during the year.

Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographical segment), which is subject to risks and rewards that are different from those of other segments.

3 CASH AND CASH EQUIVALENTS

	2015 SR "000"	2014 SR "000"
Bank balances and cash on hand	163,000	298,349
Short term Islamic Murabaha Investment	220,000	-
	<u>383,000</u>	<u>298,349</u>

4 TRADE ACCOUNTS RECEIVABLE

	2015 SR "000"	2014 SR "000"
Trade accounts receivable due from third parties	202,951	198,778
Trade accounts receivable due from a related party (note 7)	23,971	17,887
	<u>226,922</u>	<u>216,665</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

5 INVENTORIES

	<i>2015</i> <i>SR "000"</i>	<i>2014</i> <i>SR "000"</i>
Spare parts	249,001	261,147
Less: allowance for slow moving and obsolete spare parts	(23,353)	(29,858)
	<u>225,648</u>	<u>231,289</u>
Raw materials	252,155	242,691
Work in progress	274,995	191,862
Finished goods	2,136	2,686
	<u>754,934</u>	<u>668,528</u>

The movement of allowance for slow moving and obsolete spare parts is as follows:

	<i>2015</i> <i>SR "000"</i>	<i>2014</i> <i>SR "000"</i>
At the beginning of the year	29,858	29,858
Provision for the year	15,713	-
Write-off	(22,218)	-
	<u>23,353</u>	<u>29,858</u>

6 PREPAYMENTS AND OTHER RECEIVABLES

	<i>2015</i> <i>SR "000"</i>	<i>2014</i> <i>SR "000"</i>
Advances to suppliers	32,708	40,997
Custom deposits	6,176	11,353
Prepaid expenses	4,665	4,643
Advance to a related party (note 7)	3,950	3,950
Other	3,876	2,414
	<u>51,375</u>	<u>63,357</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

7 RELATED PARTIES' TRANSACTION AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties.

The following are the details of major related parties' transactions during the year and the related year end balances:

<u>Related parties</u>	<u>Nature of transactions</u>	<u>Amount of transaction</u>		<u>Year-end balance</u>	
		2015 SR "000"	2014 SR "000"	2015 SR "000"	2014 SR "000"
<u>A) Trade accounts receivable due from a related party under note 4:</u>					
United Cement Company	Sales	112,803	74,767	23,971	17,887

B) Advance to a related party under note 6:

Cement Product Industry Company Limited	Purchases of raw materials	44,745	40,475		
	Advance paid	-	-	<u>3,950</u>	<u>3,950</u>

Pricing policies and terms of these transactions are approved by the Company's management and according to the underlying agreements with respective related parties.

8 INVESTMENTS IN ASSOCIATED COMPANIES

The movement of investments in associated companies is as follows:

	<i>United Cement Company</i> <i>SR "000"</i>	<i>Cement Product Industry Company Limited</i> <i>SR "000"</i>	<i>Group International Cement Company</i> <i>SR "000"</i>	<i>Total 2015</i> <i>SR "000"</i>	<i>Total 2014</i> <i>SR "000"</i>
Percentage of ownership %	36%	33.33%	40%		
At the beginning of the year	30,304	27,655	28,919	86,878	91,464
Share in net results	3,263	2,955	(4,931)	1,287	(3,692)
Dividends	(5,365)	-	-	(5,365)	(894)
At the end of the year	<u>28,202</u>	<u>30,610</u>	<u>23,988</u>	<u>82,800</u>	<u>86,878</u>

United Cement Company is a Bahraini closed joint stock company registered and operating in the Kingdom of Bahrain. The company is engaged in the import, storage and selling of cement in different forms.

Cement Product Industry Company Limited is a limited liability company registered and operating in the Kingdom of Saudi Arabia. The company is engaged in the manufacturing of cement derivative products and other products necessary for manufacturing and packing cement.

Group International Cement Company is a Kuwaiti closed joint stock company registered and operating in State of Kuwait. The company is engaged in construction of buildings and manufacturing of construction materials and trading and packing of cement products.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

9 PROPERTY, PLANT AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings and civil works	10 to 33 years
Plant and equipment	3 to 30 years
Tools and transportation equipment	4 to 10 years
Furniture, fixtures and office equipment	4 to 10 years

	<i>Land</i> <i>SR "000"</i>	<i>Buildings and</i> <i>civil works</i> <i>SR "000"</i>	<i>Plant and</i> <i>equipment</i> <i>SR "000"</i>	<i>Tools and</i> <i>transportation</i> <i>equipment</i> <i>SR "000"</i>	<i>Furniture,</i> <i>fixtures and</i> <i>office equipment</i> <i>SR "000"</i>	<i>Total</i> <i>2015</i> <i>SR "000"</i>	<i>Total</i> <i>2014</i> <i>SR "000"</i>
<i>Cost:</i>							
At the beginning of the year	69,462	1,842,657	4,981,044	285,648	66,841	7,245,652	7,105,244
Additions	145	-	-	5,184	764	6,093	29,877
Transfer from construction work in progress (note 10)	-	19,344	23,645	1,789	2,500	47,278	120,756
Disposals	-	-	-	(759)	(1,940)	(2,699)	(10,225)
Impairment	-	-	(66,150)	-	-	(66,150)	-
At the end of the year	69,607	1,862,001	4,938,539	291,862	68,165	7,230,174	7,245,652
<i>Accumulated depreciation:</i>							
At the beginning of the year	-	1,105,128	2,765,786	215,175	50,195	4,136,284	3,941,206
Charge for the year	-	35,861	152,562	25,123	5,750	219,296	205,236
Disposals	-	-	-	(759)	(1,071)	(1,830)	(10,158)
At the end of the year	-	1,140,989	2,918,348	239,539	54,874	4,353,750	4,136,284
<i>Net book amounts:</i>							
At 31 December 2015	69,607	721,012	2,020,191	52,323	13,291	2,876,424	
At 31 December 2014	69,462	737,529	2,215,258	70,473	16,646		3,109,368

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

9 PROPERTY, PLANT AND EQUIPMENT (continued)

Certain property, plant and equipment are constructed on the land provided under the right of the mining concession provided by the government (note 1).

On 18 Rabi' I 1437H (corresponding to 29 December 2015), the Board of Directors have resolved to fully impair the carrying value of two kilns recorded under plant and equipment for their total net book values of SR 66.15 million (2014: nil).

10 CONSTRUCTION WORK IN PROGRESS

Construction work in progress represents the on-going construction work of a bulk railway loading facility and its railway link which are expected to be finalised within 12 months from the balance sheet date, in addition to other construction projects. The movement of the construction work in progress is as follows:

	2015 SR "000"	2014 SR "000"
At the beginning of the year	64,107	128,986
Additions during the year	121,305	55,877
Transferred to property, plant and equipment (note 9)	(47,278)	(120,756)
At the end of the year	<u>138,134</u>	<u>64,107</u>

11 ACCRUALS AND ADVANCES FROM CUSTOMERS

	2015 SR "000"	2014 SR "000"
Accrued expenses	98,045	98,844
Advances from customers	22,348	11,753
	<u>120,393</u>	<u>110,597</u>

12 ISLAMIC FINANCING

The Islamic facilities have been obtained from various local banks to meet the working capital requirements with a total amount of SR 1,850 million (2014: SR 2,350 million), of which SR 600 million has been withdrawn up to 31 December 2015 (SR 600 million has been withdrawn up to 31 December 2014) and are secured by promissory notes issued by the Company and carry commission agreed with the facilities providers. The outstanding Islamic financing is classified under current liabilities in the balance sheet as it is repayable within 12 months from the balance sheet date. The facility agreements contained certain covenants, which requires among other things, certain financial ratios to be maintained.

13 DIVIDENDS

On 26 Jumada' I 1436H (corresponding to 17 March 2015), the General Assembly approved the Board of Directors' proposal to distribute cash dividends amounting to SR 2.5 per share (SR 382.5 million in total) for the second half of 2014.

On 7 Sha'ban 1436H (corresponding to 25 May 2015), the Board of Directors resolved to distribute interim cash dividends amounting to SR 3 per share (SR 459 million in total) for the first half of 2015.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

13 DIVIDENDS (continued)

On 16 Jumada' I 1435H (corresponding to 17 March 2014), the General Assembly approved the Board of Directors' proposal to distribute cash dividends amounting to SR 3.5 per share (SR 535.5 million in total) for the second half of 2013.

On 30 Rajab 1435H (corresponding to 29 May 2014), the Board of Directors resolved to distribute interim cash dividends amounting to SR 3.5 per share (SR 535.5 million in total) for the first half of 2014.

Subsequent to year end, on 25 Rabi' II 1437H (corresponding to 4 February 2016), the Board of Directors proposed to distribute cash dividends amounting to SR 3 per share (SR 459 million in total) for the second half of 2015.

14 SAUDI INDUSTRIAL DEVELOPMENT FUND LOANS

	2015 SR "000"	2014 SR "000"
Saudi Industrial Development Fund loans	120,000	235,000
Less: current portion	(120,000)	(115,000)
Non-current portion	-	120,000

During 2008, the Company has obtained a loan from the Saudi Industrial Development Fund ("SIDF") amounting to SR 300 million to finance its project in Hofuf, the loan is repayable in 14 unequal semi-annual installments, which commenced in January 2010. During 2009, the Company has obtained another loan from the SIDF amounting to SR 296 million to finance the expansion of its project in Hofuf, the loan is repayable in 13 unequal semi-annual installments, which commenced in January 2011. These loans are secured by promissory notes and a primary mortgage over the related projects' fixed assets. The facility agreements contained certain covenants, which requires among other things, certain financial ratios to be maintained.

15 LIABILITY FOR CHARITABLE CONTRIBUTION

	2015 SR "000"	2014 SR "000"
Liability for charitable contribution	30,000	50,000
Less: current portion	(30,000)	(20,000)
Non-current portion	-	30,000

The Shareholders in their Extra-ordinary General Assembly Meeting held on 4 Jumada' II 1431H (corresponding to 18 May 2010) approved the appropriation of SR 50 million from the general reserve for the purpose of building a Trauma Centre in the National Guards Hospital in Al-Ahsa for the treatment of people injured in accident, as part of the social services provided by the Company to the community. The Company signed an agreement during 2014 with the National Guard's Health Affair, whereby the amount of SR 50 million shall be disbursed through five equal installments during 2015 and 2016.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

16 ZAKAT

Charge for the year

The zakat charge consists of

	2015 SR "000"	2014 SR "000"
Current year provision	24,209	27,775
Adjustment for previous years	-	9,152
Charge for the year	<u>24,209</u>	<u>36,927</u>

The provision is based on the following:

	2015 SR "000"	2014 SR "000"
Equity	2,317,830	2,137,446
Opening provisions and other adjustments	151,224	359,412
Book value of long term assets (net of related financing)	(3,058,126)	(3,488,460)
	<u>(589,072)</u>	<u>(991,602)</u>
Zakatable profit for the year	<u>968,360</u>	<u>1,111,011</u>
Zakat base	<u>968,360</u>	<u>1,111,011</u>

The differences between the financial and the zakatable results are mainly due to provisions which are not allowed in the calculation of zakatable profit.

Movement in provision

The movement in the zakat provision as follows:

	2015 SR "000"	2014 SR "000"
At the beginning of the year	36,927	37,893
Provided during the year	24,209	36,927
Payments during the year	(28,291)	(37,893)
At the end of the year	<u>32,845</u>	<u>36,927</u>

Status of assessments

The Company's zakat assessments have been agreed with the Department of Zakat and Income Tax ("DZIT") up to 2010. The assessments for the years 2011 and 2012 have been raised claiming additional zakat of SR 9 million arising from the fact that the DZIT has disallowed certain expenses and added back certain provisions. The Company has appealed against these assessments. The assessments for the years 2013 and 2014 have not yet been raised by the DZIT.

17 SHARE CAPITAL

The authorised, issued and paid up share capital is SR 1,530 million at 31 December 2015 consisting of 153 million shares (2014: SR 1,530 million consisting of 153 million shares) of SR 10 each.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

18 GENERAL RESERVE

The Shareholders in their General Assembly Meeting held on 24 Shawwal 1415H (corresponding 25 March 1995) approved the Board of Directors' proposal to establish a reserve for the expansion of the Company's plant in Hofuf. After the completion of the expansion in 1996, the remaining reserve was carried forward as a general reserve.

19 SELLING AND DISTRIBUTION EXPENSES

	2015 SR "000"	2014 SR "000"
Employees' costs	12,074	14,001
Transportation fees	9,397	10,163
Depreciation	9,274	9,331
Other	4,384	4,596
	<u>35,129</u>	<u>38,091</u>

20 GENERAL AND ADMINISTRATION EXPENSES

	2015 SR "000"	2014 SR "000"
Employees' costs	48,662	48,698
Depreciation	4,970	4,411
Publication fees	3,105	457
Donation	2,414	2,413
Professional fees	1,523	498
Training	1,376	998
Other	9,077	10,048
	<u>71,127</u>	<u>67,523</u>

21 SEGMENTAL INFORMATION

The Company carries out its activities mainly in the Kingdom of Saudi Arabia through one operating segment engaged in the production of cement and related products.

22 CAPITAL COMMITMENT

Management approved future capital expenditures amounting to SR 63.7 million (2014: SR 146.1 million).

23 CONTINGENT LIABILITIES

The Company's bankers have given guarantees, on behalf of the Company, amounting to SR 21.5 million (2014: SR 21.5 million) in respect of performance guarantees.

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

24 RISK MANAGEMENT

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Company is subject to commission rate risk on its short term Islamic Murabaha Investment and its Islamic financing. The Company manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and obtaining bank guarantees from certain customers. At the balance sheet date, no significant concentration of credit risk was identified by management.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by ensuring bank facilities are available when required. The Company's terms of sales require amounts to be paid within 60 to 90 days of the date of sale. Trade payables are normally settled within 60 to 120 days of the date of purchase.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company undertakes significant transactions in Saudi Riyals, US Dollars and Euros. As the Saudi Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk. The balances denominated in Euro are exposed to significant currency risk. The Company manages its currency risk by continuously monitoring Euro exchange rates.

25 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledge willing parties in an arm's length transaction. Financial instruments comprise of financial assets and financial liabilities.

The Company's financial assets consist of cash, cash equivalent and accounts receivable. Its financial liabilities consist of accounts payable, Islamic financing, liability for charitable contribution and Saudi Industrial Development Fund loans.

The fair values of financial instruments are not materially different from their carrying values at the balance sheet date.

26 CONTINGENT ASSET HELD AND LIABILITY INCURRED UNDER EMPLOYEES SAVING PLAN

The Company has established an employees' saving plan for its employees, which was approved by the Ministry of Labor on 11 Jumada' I 1414H (corresponding to 27 October 1993). The contributions from the Company and the participants are deposited in separate bank accounts as thrift saving accounts. These bank accounts with a total balance of SR 17.4 million (2014: SR 16.7) does not form part of the Company's available cash resources and have been accounted for, together with the related liability against the contributions, in its own standalone accounting records, as required by the saving plan's by-laws, and has not been integrated with the Company's accounting records.

27 COMPARATIVE FIGURES

Certain of the prior year figures have been reclassified to conform with the presentation in the current year.