NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Najran Cement Company
(a Saudi Joint Stock Company)
Najran, Kingdom of Saudi Arabia

Scope of Audit
We have audited the accompanying balance sheet of Najran Cement Company "A Saudi Joint Stock Company" ("the Company") as of December 31, 2014, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, including the related notes from 1 to 23. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of the Regulations for Companies and presented 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 generally accepted auditing standards 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

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

- present fairly, in all material respects, the financial position of Najran Cement Company as of December 31, 2014 and the results of its operations, cash flows and changes in shareholders' equity for the year then ended in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia; and

- comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of financial statements.

For BDO Dr. Mohamed Al-Amri & Co.,

Jamal M. Al-Amri
Certified Public Accountant

د. محمد العمري وشركاه - محاسبون قانونيون
شركة مهنية رقم ٣٢٣/١١/٢٣
Jeddah
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Rabbi Al Thaany 22, 1436
February 11, 2015

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

BALANCE SHEET
AS AT DECEMBER 31, 2014

	Note	2014 SR'000	2013 SR'000
ASSETS			
Current assets			
Cash and cash equivalents	3	31,722	3,182
Accounts receivable - net	4	84,243	32,136
Inventories	5	396,436	285,360
Prepayments and other receivables	6	35,358	52,947
Total current assets		**547,759**	**373,625**
Non-current assets			
Property, plant and equipment	7	2,526,577	1,994,292
Capital work in progress	7	-	530,983
Intangible assets	8	6,866	14,119
Total non-current assets		**2,533,443**	**2,539,394**
TOTAL ASSETS		**3,081,202**	**2,913,019**
Current liabilities			
Short term financing	9	100,000	51,698
Current portion of long term loans	10	170,000	231,000
Trade creditors		45,878	87,485
Accruals and other payables	11	40,568	88,694
Provision for zakat	12	20,601	24,355
Total current liabilities		**377,047**	**483,232**
Non-current liabilities			
Long term loans	10	631,757	601,092
End-of-service indemnities	13	10,662	8,155
Total non-current liabilities		**642,419**	**609,247**
Total liabilities		**1,019,466**	**1,092,479**
Shareholders' equity			
Share capital	1	1,700,000	1,700,000
Statutory reserve		65,026	40,706
Retained earnings		296,710	79,834
Total shareholders' equity		**2,061,736**	**1,820,540**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,081,202**	**2,913,019**

The accompanying notes form an integral part of these financial statements.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014 SR'000	2013 SR'000
Revenues	4	827,885	631,639
Cost of revenues		(429,028)	(372,424)
Gross profit		**398,857**	**259,215**
Selling and distribution expenses	14	(86,715)	(5,532)
General and administrative expenses	15	(32,217)	(28,052)
Operating income		**279,925**	**225,631**
Finance expenses	16	(24,658)	(10,725)
Other income / (expenses) - net	17	(71)	1,811
Net income before zakat		**255,196**	**216,717**
Zakat	12	(12,000)	(18,575)
Net income for the year		**243,196**	**198,142**
Earnings per share:		**SR**	**SR**
From operating income		1.65	1.33
From other activities, including zakat		(0.22)	(0.16)
From net income		1.43	1.17

The accompanying notes form an integral part of these financial statements.

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014 SR'000	2013 SR'000
Cash flows from operating activities:		
Net income before zakat for the year	255,196	216,717
Adjustments to reconcile net income before zakat with net cash provided by operating activities:		
Depreciation	115,728	80,272
Amortization	7,253	11,054
Loss/(gain) on sale of property, plant and equipment	246	(25)
Finance charges	18,962	4,050
End-of-service indemnities	2,942	2,575
Changes in operating assets and liabilities:		
Accounts receivable	(52,107)	28,129
Inventories	(111,076)	(132,850)
Prepayments and other receivables	17,589	(15,215)
Trade creditors	(41,811)	61,269
Accruals and other payables	11,642	583
Cash from operations	**224,564**	**256,559**
Zakat paid	(15,754)	(9,000)
Finance charges paid (including capitalized charges)	(24,922)	(17,312)
End-of-service indemnities paid	(435)	(310)
Net cash provided by operating activities	**183,453**	**229,937**
Cash flows from investing activities:		
Purchase of property, plant and equipment	(12,727)	(25,079)
Movements in spares held for capital use (strategic)	(9,983)	7,564
Payments to contractors (capital work in progress)	(146,992)	(484,225)
Proceeds received from sale of property, plant and equipment	326	17
Additions to intangible assets	-	(193)
Sale proceeds of short-term investment	-	100,436
Net cash used in investing activities	**(169,376)**	**(401,480)**
Cash flows from financing activities:		
Net short term financing movements	48,302	99,864
Proceeds from long term loans	290,000	76,548
Repayment of long term loans	(320,335)	(53,000)
Dividends paid	(1,438)	(186,487)
Board of Directors' remuneration paid	(2,066)	(1,400)
Net cash provided by/(used in) financing activities	**14,463**	**(64,475)**
Net change in cash and cash equivalents	**28,540**	**(236,018)**
Cash and cash equivalents, beginning of the year	3,182	239,200
Cash and cash equivalents, end of the year	**31,722**	**3,182**
Material non-cash transactions:		
Reclassification of amounts from CWIP to property, plant and equipment	625,370	626,177
Reclassification of intangible assets to property, plant and Equipment	-	754
IPO costs recoverable from dividends paid / at source	-	8,260

The accompanying notes form an integral part of these financial statements.

NAJRAN CEMENT COMPANY
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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	Share capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance at January 1, 2014		**1,700,000**	**40,706**	**79,834**	**1,820,540**
Net income for the year		-	-	243,196	243,196
Transferred to statutory reserve		-	24,320	(24,320)	-
Dividends	18	-	-	-	-
Board of Directors' remuneration	11	-	-	(2,000)	(2,000)
Balance as at December 31, 2014		**1,700,000**	**65,026**	**296,710**	**2,061,736**
Balance at January 1, 2013		**1,700,000**	**20,892**	**99,072**	**1,819,964**
Net income for the year		-	-	198,142	198,142
Transferred to statutory reserve		-	19,814	(19,814)	-
Dividends	18	-	-	(195,500)	(195,500)
Board of Directors' remuneration	11	-	-	(2,066)	(2,066)
Balance as at December 31, 2013		**1,700,000**	**40,706**	**79,834**	**1,820,540**

The accompanying notes form an integral part of these financial statements.

1. ORGANIZATION AND ACTIVITIES

Najran Cement Company ("the Company") is a Saudi Joint Stock Company which was registered on Ramadan 5, 1426 (corresponding to October 9, 2005) under Commercial Registration number 5950010479 and Industrial License number 1693/S dated Dhul Qada'h 28, 1425 (corresponding to January 9, 2005) granted to Thamarat Najran Company and which was amended in favor of Najran Cement Company by Industrial License number 1949 issued on Rajab 2, 1428 (corresponding to August 4, 2007). On Rajab 25, 1432 (corresponding to June 27, 2011), the Company was granted a new Industrial License number 5482.

The share capital of the Company is SR 1,700,000, divided into 170 million shares of SR ten per share.

The principal activities of the Company are manufacturing and marketing of diversified qualities of cement. In addition, the Company is authorized to manufacture and market building materials, and become involved in establishing or participating in establishing industrial service companies to provide maintenance and services for factories as well as management and operations of cement factories, acquisition of land and real estate, patents and commercial trademarks to achieve its purposes.

The Company's financial year starts on January 1 each Gregorian year and ends on December 31 of the same year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting convention
The accompanying financial statements have been prepared under the historical cost convention on the accruals basis of accounting in accordance with generally accepted accounting principles in the Kingdom of Saudi Arabia. Significant accounting policies adopted in the preparation of these financial statements are set out below.

Use of estimates
The preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that might affect the valuation of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of current events and activities, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years. The significant areas of estimation uncertainty and critical adjustments in applying accounting policies that have most significant effect on the amounts recognized in the financial statements are as follows:

- provisions for doubtful debts and slow-moving inventory
- estimated useful economic lives & residual values of property, plant & equipment
- estimated useful lives of intangible assets
- provisions and accruals

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, bank balances and other short-term highly liquid investments of less than three months maturity at their acquisition date.

Restricted cash represents amounts in respect of unpaid dividends and which have been transferred to a specifically designated bank account.

Accounts receivable and advances from customers
Accounts receivable are stated in the balance sheet at net realizable value after deducting provision for doubtful debts (if any). The provision is re-estimated based on an analysis of the collectible amounts of the accounts receivable balances at the end of the year.

The Company has a policy of requiring certain customers to pay in advance of receipt of goods. Where advances have been received but goods not delivered as at the year end, this is classified as advances from customers and included in current liabilities.

Where the Company is entitled to any third party claim, such as clinker subsidies or custom duties refundable, the agreed amount is included in other receivables and other income, net of any provisions.

Offsetting
In the normal course of business, the Company provides cement to certain companies, and receives services from such companies as well. For purposes of financial statements disclosures and based on an understanding between the relevant parties, these balances are offset against each other.

Inventories (stock in trade and stores and spares)
Inventories are stated at the lower of cost or net realizable value, and include goods where risks and rewards of ownership have been transferred. Cost is determined on a weighted average basis. Cost of stock in trade (raw materials, fuel and packing materials, and goods in process and finished goods) includes, where applicable, cost of materials, labor and an appropriate proportion of direct overheads. Net realizable value is selling price less costs to sell.

Spare parts for plant and machinery are categorized as either capital parts in which case they are included as part of non-current assets, or consumables, in which case they are accounted for as current assets.

Property, plant and equipment and capital work in progress
Property, plant and equipment, except land which is not depreciated, are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the declining balance method and appropriate residual values. The estimated annual rates of depreciation of the principal classes of assets are as follows:

	Percentage
Buildings	4%
General plant, machinery and equipment	5%
Quarry machinery and equipment	15%
Vehicles	25%
Furniture, fixtures and office equipment	10% - 12.5%
Computers and related software	15%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and capital work in progress (continued)
Capital work in progress includes all costs incurred to date (including advance payments) in connection with major expansion projects, and which have not been reclassified as one of the asset classes noted above.

Borrowings costs incurred to finance the construction of property, plant and equipment are capitalized as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use.

Capital work in progress is re-classified as property, plant and equipment when the relevant performance tests have been satisfactorily completed. No depreciation is provided for in respect of capital work in progress.

Impairment of non-current assets
At each balance sheet date, the Company reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount, and the impairment loss is recognized as an expense immediately in the statement of income. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of income.

Intangible assets
Intangible assets comprise the Saudi Industrial Development Fund (SIDF) evaluation fees, feasibility studies, and consultation fees. The SIDF evaluation fees are amortized over the period of the loan (8 years) and shown as finance expenses. All other intangible assets are amortized using the straight line method, over a period of 5 years after completion of the related projects.

Accounts payable, amounts due to contractors, accrued expenses & advances to suppliers
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether claimed by the suppliers or not. Appropriate provisions are made for production related charges in accordance with service contract arrangements.

Amounts payable to contractors in respect of capital works completed as at the year-end but not paid for at that date are shown as due to contractors and included in accruals and other payables.

During the normal course of business, the Company is required to pay in advance for certain goods or services so as to guarantee production and delivery of goods or services. Where advances have been made but goods or services not received as at the year end, this is classified as advances to suppliers and included in current assets. Where the risks and rewards of ownership have transferred to the Company, but goods have yet to be received, provision is made to recognize both the goods in transit and the resultant liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

End-of-service indemnities

End-of-service indemnities, as required by Saudi Arabian Labor Law, are provided in the financial statements based on the employees' length of service.

Borrowings

Borrowings are recognized based on gross proceeds received. Where the finance cost is recovered in advance at the time of loan disbursement, the amount is treated as a prepayment and is amortized over the term of the loan in a manner so as to yield a constant rate on the balance amount of loan outstanding (see intangible assets).

Borrowings are drawn-down either specifically to finance capital works in progress or for general purposes. Commissions on borrowings drawn-down for capital works in progress are capitalized. Commission relating to other borrowings is reported within finance charges in the statement of income.

Borrowings are classified as current liabilities (either as short term financing or as current portion of long term financing) unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Where the Company has a long term facility agreement operated on a Tawarroq mechanism of roll-overs through individual deals, and it is the Company's intention to roll-over these facilities, such amounts are classified as long term borrowings. Where the Tararroq facility agreement requires repayment of amounts due, the total facility limit having been reached, amounts repayable are classified as either current or long-term in accordance with the agreement.

For statement of cash flow purposes, these roll-over transactions are treated as one transaction.

Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the issued share capital. This reserve is not available for dividend distribution, however, is available for issuance of bonus shares upon obtaining appropriate approvals.

Revenue recognition

Revenues are recognized upon delivery of goods to customers and are stated net of trade and quantity discounts.

Cost of revenues

Cost of revenues includes direct costs of production, including costs of materials, contract services, depreciation of production related property, plant and equipment, amortization of production related deferred charges, and overheads directly attributable to production. Costs of production are attributed to cost of revenues and inventories based on units of production.

Expenses

Selling and distribution expenses comprise of costs incurred in the distribution and sale of the Company's products including employee costs, area discounts and transport costs. All other operating expenses are classified as general and administrative expenses.

Zakat

The Company is subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided for on the accruals basis. Any difference in the estimate is recorded when the final assessment is approved, or an assessment order received.

(All amounts in SR '000's unless otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

The Company has not designated its derivatives as hedging instruments and accordingly, the net impact of the changes in cash flows for Murabaha and Tawarroq profits is recognized in the statement of income at the corresponding settlement dates.

Foreign currency translation
Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of income as part of other expenses.

Contingent liabilities
Contingent liabilities are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Earnings per share
Earnings per share is calculated by dividing operating income, other activities and net income for the relevant year by the weighted average of ordinary shares issued and outstanding during the year.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2014 include unclaimed dividends, representing restricted amounts, of SR 1,023 (2013: SR 2,460).

4. ACCOUNTS RECEIVABLE - NET

	2014	2013
Accounts receivable	85,613	32,136
Less: Provision for doubtful debts	(1,370)	-
	84,243	**32,136**

Three customers, whose sales exceeded 10% of total revenues, accounted for a combined total of SR 312,579 of revenues (38%) during the year ended December 31, 2014 (2013: 1 customer SR 158,417; 25%). These customers had receivables balances as at December 31, 2014 totaling SR 67,428 (2013: SR 16,200).

5. INVENTORIES

	2014	2013
Raw materials, fuel and packing materials	28,432	32,749
Goods in process	237,764	141,480
Finished goods	6,421	6,340
Stock in trade	272,617	180,569
Stores and spares for plant & machinery - consumables	123,819	104,791
	396,436	**285,360**

Spares held for future capital use amounting to SR 41,572 (2013: SR 31,589) are classified within property, plant and equipment.

(All amounts in SR '000's unless otherwise noted)

6. PREPAYMENTS AND OTHER RECEIVABLES

	2014	2013
Advances to suppliers	16,412	27,271
Prepaid expenses	1,966	2,468
Rebate on imported clinker	-	14,452
Refundable custom duties	15,203	6,126
Others	1,777	2,630
	35,358	**52,947**

(All amounts in SR '000's unless otherwise noted)

7. PROPERTY, PLANT AND EQUIPMENT, AND CAPITAL WORK IN PROGRESS

	Land	Buildings	Plant, quarry machinery and other equipment	Vehicles	Furniture, fixtures and office equipment	Computers	Total
Cost							
January 1, 2014	2,563	989,851	1,348,614	20,550	12,948	9,339	2,383,865
Capitalized	-	172,452	452,918	-	-	-	625,370
Additions	-	-	12,337	340	8	549	13,234
Disposals	-	-	-	(246)	(712)	-	(958)
December 31, 2014	2,563	1,162,303	1,813,869	20,644	12,244	9,888	3,021,511
Accumulated depreciation							
January 1, 2014	-	126,212	272,218	13,841	5,601	3,290	421,162
Charge for the year	-	39,811	72,480	1,729	762	946	115,728
Disposals	-	-	-	(211)	(173)	-	(384)
December 31, 2014	-	166,023	344,698	15,359	6,190	4,236	536,506
Net book value							
December 31, 2014	2,563	996,280	1,469,171	5,285	6,054	5,652	2,485,005
Capital spares (note 5)							41,572
							2,526,577
December 31, 2013	2,563	863,639	1,076,396	6,709	7,347	6,049	1,962,703
Capital spares (note 5)							31,589
							1,994,292

The Company's property, plant and equipment ("PPE"), except the headquarters building at Najran, are constructed on two separate leased lands from the Government at Sultanah and Aakfah areas in Najran region for periods of 30 and 25 years respectively and are renewable at the option of the Company.

Property, plant and equipment with a net book value of SR 1,035,064 (2013: SR 1,079,530) are mortgaged to financial institutions as security for loans (see note 10).

As all the performance tests for the waste heat recovery project and the third production line were satisfactorily achieved during the year ended December 31, 2014, all related costs, including capitalized financial charges, have been re-classed as property, plant and equipment.

Movements in capital work in progress are summarized as follows:

	2014	2013
Balance brought forward	530,983	694,704
Additions	94,680	450,666
Transfers to property, plant and equipment / expenses	(625,663)	(614,387)
Balance carried forward	-	**530,983**

(All amounts in SR '000's unless otherwise noted)

8. INTANGIBLE ASSETS

	SIDF Evaluation Fee	Feasibility Studies	Other Project Costs	Total
Cost:				
January 1, 2014 and December 31, 2014	34,000	21,424	1,099	56,523
Accumulated Amortization:				
January 1, 2014	23,071	18,549	784	42,404
Amortization	5,696	1,462	95	7,253
December 31, 2014	28,767	20,011	879	49,657
Net Book Value:				
As at December 31, 2014	5,233	1,413	220	6,866
As at December 31, 2013	10,929	2,875	315	14,119

Amortization of SIDF evaluation fees amounting to SR 5,696 (2013: SR 6,675) is included in management fees under financial and other expenses (see note 16).

9. SHORT TERM FINANCING

Short-term financing represents a shariah compliant facility for SR 100,000, fully drawn at an average mark-up rate of 2.4325%, for multi-purposes and is repayable within the period ending June 2015. This facility is secured by an order note. In addition to SR 48,530 disclosed in note 10, the Company had an overdraft of SR 3,168 in 2013 for short term needs.

10. LONG TERM LOANS

	2014	2013
Balance at January 1	880,622	760,378
Received during the year	290,000	190,250
Repaid during the year	(368,865)	(70,006)
Balance at December 31	**801,757**	**880,622**
Shown as:		
Short term financing	-	48,530
Current portion of long term loan	170,000	231,000
Long-term portion	631,757	601,092
	801,757	**880,622**
Amounts repayable:		
Within one year	170,000	279,530
Within one to two years	315,000	170,000
Within two to five years	316,757	431,092
Total	**801,757**	**880,622**

(All amounts in SR '000's unless otherwise noted)

Banque Saudi Fransi (BSF)
The master facilities and financing agreement was renewed for one year for three main facilities that are defined in a financing letter of agreement and governed by a commodity purchase and sales agreement (Al Tawarroq), all dated April 8, 2014.

The specific facility against the third production line for SR 500,000 has a profit rate of SIBOR plus 1.50% to be serviced on a quarterly basis, repayable in twenty quarterly installments starting on September 30, 2013 and ending on June 30, 2018. As at December 31, 2014, an amount of SR 348,757 (2013: SR 489,926) was outstanding against this facility.

The specific facility to finance the waste heat recovery project for SR 150,000 was availed in 2014 at a profit rate of SIBOR plus 1.75% to be serviced on a quarterly basis repayable in six quarterly installments starting on September 30, 2018 and ending on December 31, 2019.

The general purpose facility was increased to SR 150,000 in 2014, carries a profit rate of SIBOR plus 1.50% and is renewable through Tawarroq of 180 days tenor. As at December 31, 2014, an amount of SR 140,000 (2013: SR 96,696) was drawn against this facility.

The facilities are secured by, inter alia, four order notes amounting to SR 765,550 and assignment of the insurance policy for the third production line.

Saudi Industrial Development Fund (SIDF)
The Company signed a term loan facility of SR 454,550 in 2008 that was subsequently amended on Rajab 2, 1431 (corresponding to June 14, 2010). The loan is interest-free, repayable in fourteen semi-annual installments starting on Sha'ban 15, 1432 (corresponding to July 17, 2011) and is secured by order notes supplemented by a mortgage on all property, plant and equipment of the Company (excluding the grinding facilities at Aakfah and the Head Office). SIDF is also the first beneficiary on the Company's insurance policy covering the property, plant and equipment at the main plant. An evaluation fee of SR 34,000 was also charged and included in deferred charges (see note 8). Project administration (follow up) fees are also charged, semi-annually, based on actual man-hours spent on the project. As at December 31, 2014, an amount of SR 163,000 (2013: SR 294,000) was outstanding against this facility.

11. ACCRUALS AND OTHER PAYABLES

	2014	2013
Due to contractors	3,035	55,135
Accrued expenses	6,433	3,146
Raw material royalties	19,075	14,395
Advances from customers	8,118	6,860
Dividends unpaid (note 18)	1,023	2,460
Director's remuneration and other expenses payable	2,000	2,066
Others	884	4,632
	40,568	**88,694**

12. PROVISION FOR ZAKAT

	2014	2013
Balance at January 1	24,355	14,780
Provision for the year	12,000	12,000
Provision in respect of prior years (see below)	-	6,575
Paid during the year	(15,754)	(9,000)
Balance at December 31	**20,601**	**24,355**

(All amounts in SR '000's unless otherwise noted)

The principal elements of the zakat base were as follows:

	2014	2013
Shareholders' equity – beginning balance	1,819,497	1,720,892
Adjusted net income before zakat	134,001	135,592
Non-current assets and spare parts (capital)	(1,996,274)	(2,107,333)
Non-current liabilities (financing)	523,033	718,737
Zakat base	**489,257**	**467,888**
Provision for Zakat (rounded)	**12,000**	**12,000**

Adjusted net income comprised:

Net income before zakat	255,196	216,717
Additions	3,188	4,838
Deductions -- depreciation adjustments	(124,383)	(85,963)
Adjusted net income	**134,001**	**135,592**

The Company has filed an appeal against an additional demand of SR 14,612 raised by the Department of Zakat and Income Tax ("DZIT") while finalizing the assessments for the years 2006 through 2011 inclusive. The composition of this demand is SR 2,057 relating to withholding taxes of prior years (see note 17) and SR 12,555 relating to certain adjustments to the zakat base and calculations. The arrears of zakat include SR 5,980 which was provided for in prior periods, whilst the balance of SR 6,575 was accrued for in the year ended December 31, 2013. The Company believes that it will get some relief from the appeal proceedings.

13. END OF SERVICE INDEMNITIES

	2014	2013
Balance at January 1	8,155	5,890
Provision for the year	2,942	2,575
Payments made during the year	(435)	(310)
Balance at December 31	**10,662**	**8,155**

14. SELLING AND DISTRIBUTION EXPENSES

Employees' salaries and benefits	3,960	4,064
Depreciation	613	648
Transportation incentives and charges	80,467	443
Others	1,675	377
	86,715	**5,532**

(All amounts in SR '000's unless otherwise noted)

15. GENERAL AND ADMINISTRATIVE EXPENSES

	2014	2013
Wages, salaries and related costs	16,793	15,122
Professional fees	4,698	2,164
Depreciation	2,016	2,041
Donations	1,724	2,165
Information technology	1,205	1,424
Travel	901	623
Trainings and seminars	804	552
Advertising expenses	765	416
Repairs and maintenance	639	496
Communications	570	612
Regulatory fees	400	400
Bank charges	341	911
Directors' meetings related expenses	323	265
Rent	306	254
Others	732	607
	32,217	**28,052**

16. FINANCE EXPENSES

As all the performance tests for the waste heat recovery project and the third production line were satisfactorily achieved during the year ended December 31, 2014, the corresponding finance charges that were earlier capitalized are now charged to the statement of income from the date of respective capitalizations.

Amortization of SIDF evaluation fees amounting to SR 5,696 (2013: SR 6,675) and follow-up fees of SR 3,070 (2013: SR 4,050) are also included in finance expenses (see notes 8 and 10).

17. OTHER INCOME/(EXPENSES) - NET

Included in other income/ (expenses) for the year ended December 31, 2013 is the net impact of SR 6,329 in respect of an insurance claim for loss of profits relating to the break-down of plant in April 2012 that was settled in 2013 and payment, under appeal, of withholding tax arrears related to prior years of SR 4,076.

18. DIVIDENDS

The Directors of the Company, in a meeting held on December 10, 2014 (corresponding to Safar 18, 1436), recommended and announced a dividend of SR 102,000 (Halal 60 per share) to be approved by the shareholders of the Company in their upcoming meeting.

The total dividend paid during the year ended December 31, 2013 was Halal 115 per share, totaling SR 195,500.

As of December 31, 2014, dividends of SR 1,023 (2013: SR 2,460) remained unpaid and are included in "accruals and other payables" under current liabilities (see note 11).

19. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As of December 31, 2014, the Company had commitments in the form of letters of credit and bills for collection amounting to SR 2,309 (2013: SR 526), letters of guarantee amounting to SR 340 (2013: SR 6,914) and performance bonds amounting to SR 2,000 (2013: SR 2,000).

20. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT

Fair values of financial assets and liabilities:
The carrying book values of financial assets and liabilities are not materially different from their fair values at the balance sheet date.

Currency risk:
Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies. The Company does not believe it is materiality exposed to currency risk as the majority of the Company's transactions and the balances are denominated in Saudi Riyals, or in US Dollars, which currency is fixed to the Saudi Riyal. Certain transactions are in Euros, but these are not material.

Liquidity risk:
Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately, or by breach of funding covenants. To mitigate this risk, management monitors the maturity profile of its financial assets and liabilities to ensure that adequate liquidity is maintained or made available, as necessary.

Credit risk:
The Company's credit risk is primarily attributable to its liquid funds and receivables. Cash balances are deposited with major banks with good credit standings. Whilst a small number of customers account for a significant proportion of both revenues and accounts receivable balances, these customers have all provided appropriate guarantees ensuring that their debts will be recoverable. All major customers are high profile customers within the Kingdom of Saudi Arabia and there is no reason to suggest that there will be a loss of revenue from these sources. The amounts presented in the balance sheet are stated at net realizable value, estimated by the Company's management based on experience. Accordingly, the management does not believe that the Company is materially exposed to credit risk.

21. SEGMENTAL REPORTING

The Company operates in one trading segment and all sales are within the Kingdom of Saudi Arabia.

22. COMPARATIVE FIGURES

Certain comparatives have been reclassified to conform to the current year presentation.

23. FINANCIAL STATEMENTS APPROVAL

These financial statements were approved by the Board of Directors of the Company on February 11, 2015.