

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS PERIOD AND
YEAR ENDED DECEMBER 31, 2015
AND INDEPENDENT AUDITOR'S LIMITED
REVIEW REPORT

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD AND YEAR ENDED DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT

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

Scope of Review

We have reviewed the accompanying interim balance sheet of Najran Cement Company ("the Company") (a Saudi Joint Stock Company) as of December 31, 2015, the related interim statement of income for the three months period and year ended December 31, 2015, and the related statements of cash flows and changes in shareholders' equity for the year then ended, including the related notes from 1 to 11. These interim financial statements are the responsibility of the Company's management and have been prepared by them and presented to us together with all the information and explanations which we required.

We conducted our review in accordance with Saudi Organization for Certified Public Accountants ("SOCPA") standards on interim financial information. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of a limited review is substantially less than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review Conclusion

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

For Dr. Mohamed Al-Amri & Co.



Jamal M. Al-Amri
Certified Public Accountant
Registration No. 331



Rabi Al Thanni 7, 1437 (H)
January 17, 2016 (G)

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2015


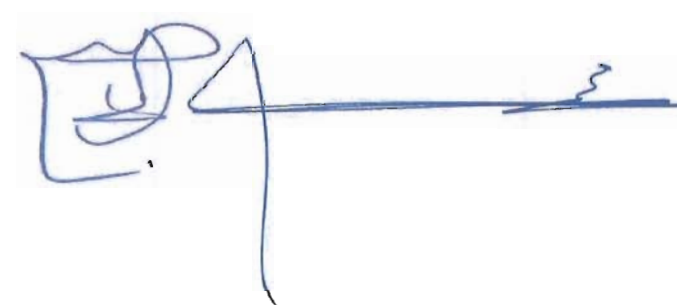
	<u>Note</u>	2015 Unaudited <u>SR'000</u>	2014 Audited <u>SR'000</u>
ASSETS			
Current assets			
Cash and cash equivalents		162,061	31,722
Accounts receivable - net		92,406	84,243
Inventories - net	3	361,902	396,436
Prepayments and other receivables - net		21,890	35,358
Total current assets		638,259	547,759
Non-current assets			
Property, plant and equipment	4	2,430,434	2,526,577
Intangible assets		4,579	6,866
Total non-current assets		2,435,013	2,533,443
TOTAL ASSETS		3,073,272	3,081,202
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short term financial liabilities	5	100,000	270,000
Trade creditors		54,690	45,878
Accruals and other payables		138,260	40,568
Provision for zakat	6	22,154	20,601
Total current liabilities		315,104	377,047
Non-current liabilities			
Long term financial liabilities	5	700,000	631,757
End-of-service indemnities		14,808	10,662
Total non-current liabilities		714,808	642,419
Total liabilities		1,029,912	1,019,466
Shareholders' equity			
Capital	1	1,700,000	1,700,000
Statutory reserve		90,588	65,026
Retained earnings		252,772	296,710
Total shareholders' equity		2,043,360	2,061,736
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,073,272	3,081,202

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

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INCOME
FOR THE THREE MONTHS PERIOD AND YEAR ENDED DECEMBER 31, 2015

	<u>Note</u>	For the three months ended December 31,		For the year ended December 31,	
		2015 Unaudited SR'000	2014 Unaudited SR'000	2015 Unaudited SR'000	2014 Audited SR'000
Revenues		276,347	252,595	1,086,649	827,885
Cost of sales		(156,925)	(128,453)	(565,052)	(429,028)
Gross profit		119,422	124,142	521,597	398,857
Selling and distribution expenses		(43,067)	(39,039)	(181,028)	(86,715)
General and administrative expenses		(8,506)	(10,609)	(30,690)	(31,894)
Operating income		67,849	74,494	309,879	280,248
Finance expenses		(5,186)	(6,648)	(28,867)	(24,658)
Other income / (expense) - net		(279)	(884)	4,751	(394)
Net income before zakat		62,384	66,962	285,763	255,196
Zakat	6	(8,654)	(3,000)	(30,139)	(12,000)
Net income for the period / year		53,730	63,962	255,624	243,196
Earnings/(loss) per share SR:					
From operating income		0.40	0.44	1.82	1.65
From other activities, including zakat		(0.08)	(0.06)	(0.32)	(0.22)
From net income		0.32	0.38	1.50	1.43

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

NAJRAN CEMENT COMPANY
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INTERIM STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015


	2015 Unaudited SR'000	2014 Audited SR'000
Cash flows from operating activities:		
Net income before zakat for the year		
<i>Adjustments to reconcile net income before zakat with net cash provided by operating activities:</i>		
Depreciation	285,763	255,196
Amortization	121,171	115,728
Loss on disposal of property, plant and equipment	7,449	7,253
Provision for slow moving spares and clinker stock shortage	286	246
Provision against refundable custom duties	2,000	-
Finance charges	4,130	-
End-of-service indemnities	23,052	18,962
<i>Changes in operating assets and liabilities:</i>	4,541	2,942
Accounts receivable	(8,163)	(52,107)
Inventories	32,534	(111,076)
Prepayments and other receivables	2,472	17,589
Trade creditors	8,812	(41,811)
Accruals and other payables	10,067	11,642
Cash from operations	494,114	224,564
Zakat paid	(28,586)	(15,754)
Finance charges paid	(20,433)	(24,922)
End-of-service indemnities paid	(395)	(435)
Net cash provided by operating activities	444,700	183,453
Cash flows from investing activities:		
Purchase of property, plant and equipment	(18,795)	(12,727)
Movements in spares held for capital use (strategic)	222	(9,983)
Payments to contractors (capital work in progress)	(192)	(146,992)
Proceeds from disposal of property, plant and equipment	126	326
Sukuk issuance expenses (intangibles)	(5,162)	-
Net cash used in investing activities	(23,801)	(169,376)
Cash flows from financing activities:		
Net short term financing movements	(100,000)	48,302
Net proceeds / (repayment) of long term loans	(401,757)	(30,335)
Sukuk proceeds	400,000	-
Dividends paid	(186,803)	(1,438)
Board of directors' remuneration paid	(2,000)	(2,066)
Net cash (used in) / provided by financing activities	(290,560)	14,463
Net change in cash and cash equivalents	130,339	28,540
Cash and cash equivalents, beginning of the year	31,722	3,182
Cash and cash equivalents, end of the year	162,061	31,722
Material non-cash transactions:		
Reclassification of custom duties to property, plant and equipment	6,866	-

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

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Note</u>	<u>Capital SR'000</u>	<u>Statutory reserve SR'000</u>	<u>Retained earnings SR'000</u>	<u>Total SR'000</u>
Balance as at January 1, 2015		1,700,000	65,026	296,710	2,061,736
Net income for the year		-	-	255,624	255,624
Transfer to statutory reserve		-	25,562	(25,562)	-
Dividends	7	-	-	(272,000)	(272,000)
Board of Directors' remuneration		-	-	(2,000)	(2,000)
Balance as at December 31, 2015 - Unaudited		1,700,000	90,588	252,772	2,043,360
Balance at January 1, 2014		1,700,000	40,706	79,834	1,820,540
Net income for the year		-	-	243,196	243,196
Transfer to statutory reserve		-	24,320	(24,320)	-
Board of Directors' remuneration		-	-	(2,000)	(2,000)
Balance as at December 31, 2014 - Audited		1,700,000	65,026	296,710	2,061,736





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

NAJRAN CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD AND YEAR ENDED DECEMBER 31, 2015
All figures in SR '000 unless otherwise stated

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 (due to expire on April 28, 2020). On Jumada Awwal 12, 1435 (corresponding to March 13, 2014), the Company was granted a new Industrial License, number 1081.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with the Standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The significant accounting policies applied by the Company, in preparing these interim financial statements, are consistent with those stated in its annual audited financial statements for the year ended December 31, 2014.

Financial year and interim periods

The financial year of the Company commences on 1 January of each year and ends on 31 December of the same year. Interim financial statements are prepared for the three months ending on, and the period from the beginning of the year to, the end of March, June, September, and December.

Adjustments related to the period

The Company's management has made all the required adjustments so that the interim financial statements present fairly the interim financial position and results of operations for the Company.

Interim financial statements do not include all information and disclosures required for the annual audited financial statements, therefore these interim financial statements should be read in conjunction with the latest annual audited financial statements and its related notes.

Accounting convention

The accompanying interim 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.

**NAJRAN CEMENT COMPANY
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
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Use of estimates

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

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

- provision 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

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

Accounts receivable and amounts due to 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 period. Such analysis takes account of bank guarantees in place, payment histories and legal actions undertaken.

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 period end, this is classified as amounts due to 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, net of any provisions.

Offsetting

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

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
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Inventories (stock in trade and stores and spares)

Inventories are stated at the lower of cost or net realizable value. Cost is determined on the 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 and impairment, if any. 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:

	<i>Percentage</i>
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%

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. Capital work in progress is re-classified as property, plant and equipment when the relevant performance tests have been satisfactorily completed.

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.

Intangible assets

Intangible assets comprise the Sukuk issuance costs which are being amortized over the period of the term (5 years) and shown as finance expenses.

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Impairment of non-current assets

At each reporting 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 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.

Accounts payable, amounts due to contractors, accrued expenses and supplier advances

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.

During the normal course of business, the Company is required to pay in advance or provide letters of credit 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 period end, this is classified as amounts due from suppliers and included in current assets. Where the risks of ownership of goods have transferred to the Company, but goods are not yet received, provision is made to recognize both the goods in transit and the resultant liability.

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.

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 unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

End-of-service indemnities

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

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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.

Revenue recognition

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

Cost of sales

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

Expenses

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

Zakat

The Company is subject to the Regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Provision for zakat is provided for on the accruals basis. Any difference in the estimate is recorded in the period in which the final assessment is approved.

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

The Company maintains its accounts in Saudi Riyals. 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 reporting 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.

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Earnings per share

Earnings per share is calculated by dividing operating income, other activities and net income for the relevant period by the weighted average of ordinary shares issued and outstanding during the period (170 million shares).

Segmental reporting

The Company is administered as one operating segment engaged in the production of cement and related products. The Company carries out its activities solely in the Kingdom of Saudi Arabia.

3. INVENTORIES AND WORK IN PROGRESS

Inventories include consumable spare parts for plant and machinery amounting to SR 123,462 (2014: SR 123,818).

4. PROPERTY, PLANT AND EQUIPMENT

Net book values of property, plant and equipment at December 31, comprised the following:

	2015	2014
Land	2,563	2,563
Buildings	956,680	996,279
Plant and quarry machinery and equipment	1,413,044	1,469,172
Vehicles	5,461	5,285
Furniture, fixtures and office equipment	5,753	6,054
Computers and related software	5,583	5,652
Spare parts held for future capital use (strategic)	41,350	41,572
	<u>2,430,434</u>	<u>2,526,577</u>

5. LONG-TERM LOANS AND SHORT-TERM FINANCING

	2015	2014
Current portion of long-term loans	100,000	170,000
Short-term financing	-	100,000
	<u>100,000</u>	<u>270,000</u>

The movement in long-term loans is as follows:

Balance at January 1,	801,757	880,622
Sukuk proceeds/drawn-down during the year	425,000	290,000
Repaid during the period	(426,757)	(368,865)
Balance at December 31,	800,000	801,757
Current portion of long term loans	(100,000)	(170,000)
Long term portion	<u>700,000</u>	<u>631,757</u>

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Sukuk

In June 2015, the Company privately placed an unrated but registered Sukuk of SR 400,000 for five years maturing in June 2020, with a profit rate of 1.4% plus three month SIBOR, payable quarterly. The proceeds were applied towards part settlement of the existing indebtedness of the Company.

Commercial Banks Facilities (Tawarroq)

The Company has signed bank facility agreements with commercial banks (some of which replace old facility agreements) as follows:

- Tawarroq facility for SR 500,000 to finance the third production line. The full amount was drawn-down and is repayable in equal quarterly installments of SR 25,000 each that started on September 30, 2013 and ends in June 2018. The amount outstanding as at December 31, 2015 was SR 250,000 (2014: SR 348,757).
- Tawarroq facility for SR 150,000 to finance the waste heat recovery plant which is repayable in equal quarterly installments of SR 25,000 each starting September 30, 2018 and ending in 2019.

All of the above agreements have conditions to maintain certain financial ratios and relating to payment of dividends.

6. ZAKAT

	2015	2014
Balance at January 1,	20,601	24,355
Provision for the year		
Prior years	7,985	-
Current provision	22,154	12,000
	30,139	12,000
Paid during the year	(28,586)	(15,754)
Balance at December 31,	22,154	20,601

In May 2015, the Company signed an agreement with the DZIT whereby the appeal against the additional demand to finalize the zakat assessments for the years 2006 through 2011 inclusive was withdrawn; settlement of the demand for SR 12,555 was made in September 2015.

The financial impact of now applying the methodology used by the DZIT in their assessment orders is an additional charge of SR 7,985 for years 2012 through to 2014. The assessments for the years 2012 through to 2014 have not yet been finalized.

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7. DIVIDENDS PAYABLE

The shareholders of the Company, in their General Assembly held on March 30, 2015 (corresponding to Jumaada al Thaany 10, 1436), approved a dividend of SR 102,000 (SR 0.60 per share) (2014: SR nil); the dividend was paid in April 2015.

The directors of the Company, on August 9, 2015 (corresponding to Shawwal 24, 1436), recommended a dividend of SR 85,000 (SR 0.50 per share) (2014: SR nil); the dividend was paid in September 2015.

The directors of the Company, on December 29, 2015 (corresponding to Rabbi Ul Awwal 18, 1437), recommended and announced a dividend of SR 85,000 (SR 0.50 per share) (2014: SR 102,000 (SR 0.60 per share)) to be approved by the shareholders of the Company in their General Assembly scheduled to be held in March 2016.

Included in accruals and other payables are unpaid dividends of SR 86,221 (2014: SR 1,024).

8. CONTINGENCIES AND COMMITMENTS

As of December 31, 2015, the Company had commitments in the form of letters of credit and bills for collection amounting to SR 1,861 (2014: SR 2,309), letters of guarantee amounting to SR nil (2014: SR 340) and performance bonds amounting to SR 2,351 (2014: SR 2,000).

9. 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 materially exposed to currency risk as the majority of the Company's transactions and 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.

"Commission rate" risk:

"Commission rate" risk arises from the possibility that changes in market "commission rates" will affect the value of "commission earning assets and commission bearing liabilities". The Company does not believe it is materially exposed to "commission rate" risk, as its exposure is in commercial loans and Sukuk, where rates can vary but not materially.

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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. Accordingly, management does not believe that the Company is materially exposed to liquidity risk.

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 debt 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, management does not believe that the Company is materially exposed to credit risk.

10. COMPARATIVES

Certain comparatives have been amended to conform to the current period presentation.

11. FINANCIAL STATEMENTS APPROVAL

These financial statements were approved by the Board of Directors of the Company on January 17, 2016.