

الإسمنت السعودية
SAUDI CEMENT



Annual Report 2015

Power to Build

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2015 Board of Directors' Report

For the 57th Ordinary General Assembly Meeting Held on
24 March 2016, (15th Jumada II, 1437)



(DIN EN) ISO 9001:2008
Reg. No. 04 100 960239



The Founder
King Abdulaziz Bin
Abdulrahman Al Faisal
Al Saud



Custodian of the Two Holy Mosques
King Salman bin
Abdul-Aziz Al Saud



His Royal Highness
Crown Prince Muhammad bin
Nayef bin Abdul-Aziz Al Saud,
First Deputy Prime Minister and
Minister of Interior



Board of Directors

Board of Directors

Mr. Khaled Abdulrahman Al-Rajhi
Chairman



Dr. Mohammed S. Balghonaim
Board Member



Mr. Khaled Abdulrahman Al-Abdulkarim
Board Member



Mr. Fahad Abdullah Al-Saleh
Board Member



Mr. Sami Ali Al-Juffali
Board Member



Mr. Hamad Abdullah Al-Olayan
Board Member



Dr. Abdulrahman Suleiman Al-Rajhi
Board Member



Mr. Ahmed Mohammed Al-Omran
Board Member



Mr. Mohammed Abdulkarim
A. El-Khereiji - Board Member



Dr. Walid Ahmed Al-Juffali
Board Member & Managing Director



Mr. Mohammed Ali Al-Garni
Board Member & Chief Executive Officer

Vision, Mission and Values

VISION

To be world class producer of building materials and strive for excellence.

MISSION

As a cement industry pioneer in the region, Saudi Cement Company aims to maintain its leadership position and reputation for safety, health, environment, quality, cost efficiency, and advanced operations; through a highly motivated team. Saudi Cements Company's goal is to exceed the expectations of all its stakeholders, including customers, employees, shareholders, and the community at large.

VALUES

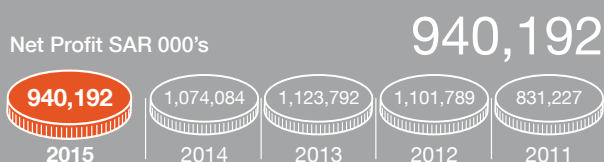
- To provide our customers with quality products and services.
- To provide an environment for our people to excel, develop and grow.
- To achieve attractive returns for our shareholders and finance growth, while adhering to the highest ethical standards and Islamic principles.

Board of Directors' Statement

Respected Shareholders,

The Board of Directors welcomes you to the 57th Ordinary General Assembly Meeting of Saudi Cement Company and thanks you for attending this meeting.

The Board is pleased to present to you the "Annual Report" for the year ended December 31, 2015 together with the Financial Statements and the Auditors' Report related to that year.



Statement from the Chairman of the Board of Directors

Clinker stocks in Saudi Arabia, which reached very high levels, remains as the main factor affecting the performance of the cement sector, resulting in a surplus of production that exceeds the demand of the local market. That drove companies to compete for gaining market share by offering discounts in selling prices on one hand, and on the other hand, bearing high transportation costs in order to gain access to distant markets that have a relatively high demand, thereby diminishing profit margins. With export ban still in effect and the entry to the market of two new local cement companies in 2016, plus the increased capacities of existing companies, the production surplus increases the Kingdom's level of clinker stocks, thus, continued clinker stocks pressures on companies results. All of that despite the increase of domestic demand for cement during year 2015 by 7.4% compared with year 2014.

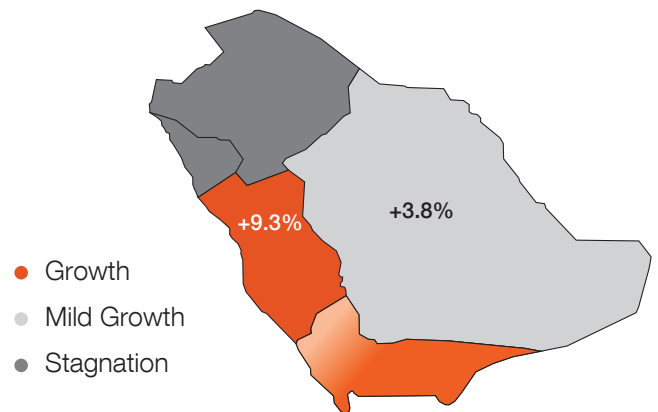
It is worth noting that the demand during the year 2015 in our main markets (Eastern and Central) has increased by 3.8%, compared with the year 2014. However, the rising stocks in the same two regions (Eastern and Central) by 23.6% remains the first main affecting factor on the performance of the cement companies there; while markets in the Western and Southern regions were better, as the demand increased by nearly 9.3 % due to the volume of projects executed in those regions, which helped reduce the clinker inventory of the two regions by (7.7%).

In view of the continued slowdown in the growth of the local demand, we believe that a major challenge is coming to the cement market in the Kingdom driven by the continuous increase of Clinker Stocks caused by capacity expansions of some existing local cement companies and the entry of new companies. In view of the ongoing export ban, which lead companies in the cement sector to continue liaising with government officials in order to lift the ban and thereafter allow the export of cement as soon as possible to protect the interest of this sector.

Because of all of the above-mentioned conditions, the Company's management is working diligently to continuously raise the operating efficiency of the Company in order to be prepared to confront the market volatility.

Below is a summary of operational and financial results for the year 2015:

- Clinker Production amounted to about 7.9 million tons compared with 8.6 million tons in the year 2014, i.e. a decrease of (8.6%).
- Total sales of cement during the year was about 7.7 million tons compared with the amount of 8 million tons sold in 2014 with a decrease of (3.4%).



- Clinker stock raised by the end of the year to reach 4 million tons, compared with 3.2 million tons by the end of 2014, an increase of 22.9%.
- Sales revenue for the year amounted to SR 1,932 million with a decrease of (4.6%) compared to the year 2014.
- Operating profit for the year reached 964 million compared with 1,123 million in 2014, a decline of (14.2%).
- Earnings per share for the year amounted to SR 6.15 compared to SR 7.02 for 2014.
- Net cash flow from operations for the year decreased by 6.5% to about 1,184 million Riyals compared with 1,267 million Riyals in the year 2014.
- Total dividend distributed during the year amounted to 841.5 million Riyals.
- Total assets at the end of the year increased by 0.1% amounting to 4,514 million Riyals compared with 4,507 million at the end of year 2014.
- Total shareholders' equity at the end of the year increased by 3.1% amounting to 3,256 million riyals compared to around 3,159 million at the end of 2014.

Finally, we are working continuously to improve and increase our operational efficiency and maintain our market share, while undertaking all possible efforts in order to maintain our Company's leadership status, both locally and regionally.

Khalid Abdulrahman Al-Rajhi
Chairman of the Board of Directors

Production Capacities

Production Capacities

(Operating)

CLINKER

Annual Rated Capacity (tons)	8,910,000
Kilns	
Tons per day	2 x 11,500
Tons per day	1 x 4,000

CEMENT

Annual Grinding Capacity (tons)	11,500,000
---------------------------------	------------

MILLS (CEMENT)

Tons per hour	3 x 280
Tons per hour	2 x 160
Tons per hour	3 x 120
Tons per hour	2 x 80

Cement Mills of old lines will be used to grind quantities in excess of the grinding capacity of the new Mills.

TYPES OF CEMENT PRODUCED

Ordinary Portland Cement (ASTM Type 1 Specification)

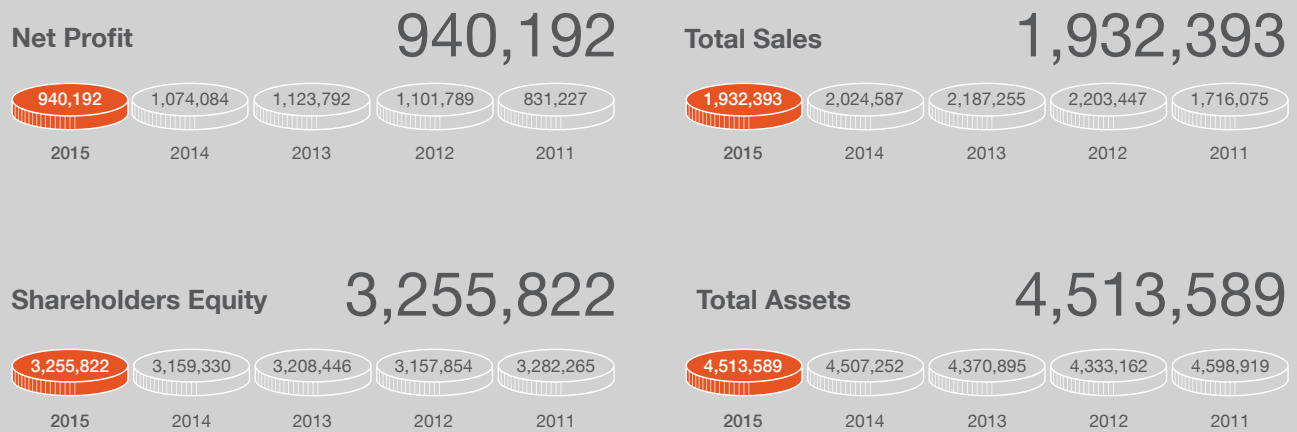
Sulphate Resisting Cement (ASTM Type V Specification)

Oilwell Cement (API Class G Specification) Under API License to use API Monogram

Special Cement of any type & Specification as per market demand

Financial Highlights

All figures expressed in SAR 000's



SR 000's	2015	2014	2013	2012	2011
Sales	1,932,393	2,024,587	2,187,255	2,203,447	1,716,095
Cost of Sales	(796,371)	(795,530)	(902,993)	(974,237)	(765,095)
Gross Profit	1,136,022	1,229,057	1,284,262	1,229,210	951,000
Impairment loss of property, plant & equipment	(66,150)	0	0	0	0
General, Admin, & Marketing Exp.	106,256	(105,614)	(97,887)	(87,153)	(85,928)
Operating Income	963,616	1,123,443	1,186,375	1,142,057	865,072
Other Income / (Expenses)	785	(12,432)	(15,344)	395	(12,508)
Zakat	(24,209)	(36,927)	(47,239)	(40,663)	(21,337)
Net Income	940,192	1,074,084	1,123,792	1,101,789	831,227

Production - Stock



Production - Stock in KSA (2011-2015)



Clinker Production:

Total quantity of clinker produced during 2015 amounted to 7,856,130 tons compared to a quantity of 8,599,000 tons for 2014 i.e. a decrease of (742,870) tons or approximately (8.6%).

The total clinker production during the year exceeded the kilns' designed capacity.

On the other hand, total clinker production for all cement companies in the Kingdom during 2015 reached about 57 million tons in comparison with 57.4 million tons for 2014, i.e. slight decrease of about (0.6%).

Cement Production:

Cement production for 2015 totaled 7,690,005 tons in comparison with 8,042,659 tons for 2014, i.e. a decrease of (352,654) tons or approximately (4.4%).

Cement grinding and dispatch were mainly conducted at Hofuf Plant. Also, Ain Dar plant's cement grinding and dispatch facilities were partially utilized for meeting cement sales by rail.

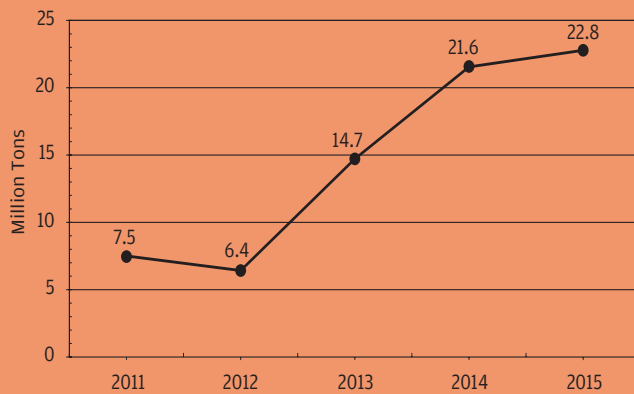
Clinker Stock:

The clinker inventory as of December 31, 2015 amounted to 3,983,220 tons, in comparison with a quantity of 3,240,146 tons as of December 31, 2014, i.e. an increase of 743,074 tons or approximately 22.9%. On the other hand, clinker inventory continued increasing for all cement companies in the Kingdom, to new record levels by the end of 2015, reaching 22.8 million tons, an increase of 1.2 million tons and 5.7% compared to the end of 2014.

The escalation in clinker inventory was due to slower pace of growth in domestic demand during 2015 than Compound Annual Growth Rate (CAGR) of the preceding seven years, increase in local production quantities, and clinker importation in compliance with the directions of the Ministry of Trade and Industry during 2013.

Operation and Maintenance - Sales - Exports - Principal Activity

Cement Companies Clinker Closing Stock - KSA (2011-2015)



Operation and Maintenance:

Saudi Cement Company continued highly efficient operation and scheduled preventive maintenance jobs, thereby improving the time available for operation and increasing production efficiency, which had positive impact on the Company's results.

Saudi Cement Company has maintained its supremacy in producing its high quality types of cement products, and has the capability and flexibility to produce other types of cement, if that proves to be economically viable.

Introduction:

The pace of growth in cement demand in Saudi Arabia has slowed down during 2015 below CAGR of the years 2008-2014 by approximately 11.3%. The total local cement sales quantity reached around 60.7 million tons, in comparison with the total demand of 56.6 million tons for 2014 i.e. an increase of just 4.1 million tons or approximately 7.4%. Total cement sales (local & export) for the year 2015 amounted to 61.44 Million tons.

Sales:

Saudi Cement Company's local cement sales volume for 2015 was 7,222,950 tons in comparison with 7,551,953 tons for 2014 i.e. a decline of (329,003) tons or (4.4%). Total local & export cement sales volume for 2015 amounted to 7,703,084 tons in comparison with 7,972,414 tons for 2014, i.e. a decrease of (269,330) tons or (3.4%).

Exports:

The total exported quantities during 2015 were 480,134 tons, compared to 420,461 tons in 2014, i.e. an increase of 59,673 tons or approximately 14.2%.

The above increase was mainly due to rising Company's sales in the Kingdom of Bahrain.

Principal Activity:

Saudi Cement Company's principal and sole activity is confined to the manufacture and trading of cement and cement related products. Hence, the Company does not carry out any other activity, nor does it produce any other products.

Plans, Decisions & Future Expectations

Plans, Decisions & Future Expectations:

Currently, Saudi Cement Company has no expansion plans for its production facilities due to adequacy of production capacity kingdom wide for several future years. Further, clinker inventory levels for local cement companies has reached historical heights, whose utilization may require considerable time, especially with the entry of additional production lines in some national companies, in addition to the entry of two new cement companies.

a) Impairment loss of Kiln 4 and 5:

Due to continuation of clinker stock escalation to unprecedented levels, and the continuation of the export ban, which considerably weakens the possibility of operating Kiln 4 and 5 in the foreseeable future hence, Saudi Cement Company announced on Tadawul website on 18-03-1437 (29-12-2015) recognition of an impairment loss for the net book values of these two kilns as at 31/12/2015 amounting to SAR 66,150,000 (Sixty six million one hundred fifty thousand Saudi Riyal).

b) Concentrating Cement Grinding Capacity at Hofuf Plant:

Currently, Saudi Cement Company mainly utilizes its grinding facilities at Hofuf Plant, and partially depends on the grinding facilities at its Ain Dar Plant to cater for cement Rail dispatches and meet demand in the local market.

Saudi Cement Company, however, aims to concentrate its grinding operations at Hofuf Plant only, in order to cut costs and better serve its customers. Accordingly, a contract was signed for laying of new full- facility rail tracks at Hofuf plant with a total cost of SR 38 million, and expected completion date of November 2015. Another contract with a total cost of SR 84 million and expected completion date of January 2016 was signed for constructing a cement loading facility for serving these new tracks. However, due to some delays, the two projects will be ready for operation by the middle of year 2016 after Saudi Railway Organization completes storage tracks and link point to its main network.



Saudi Cement Company's sales volume of all cement types for 2015 reached to 7,703,084 tons compared to 7,972,414 tons for 2014, i.e. a decrease of 269,330 tons or approximately (3.4%)

Plans, Decisions & Future Expectations (Continued) - Risks facing the Company

The above projects require raising the operational efficiency of grinding facility at Hofuf plant to higher levels in order to compensate for Ain Dar plant's old grinding facility which will be stopped (due to high operating cost and in order to save on additional clinker transportation charges from Hofuf plant to Ain Dar plant) in addition to improving the cement quality, and meeting MEPA's environmental requirements. Accordingly, the Board of Directors had previously resolved to add two new cement mills with total designed capacity of approximately 440 tons/hour. The technical and financial offers from qualified contractors were received. Due to slowdown in domestic demand with continuation of the export ban, the Board of Directors has resolved during its meeting on 04/02/2016 (25/04/1437) to postpone execution of this project until market conditions improve, as previously announced on Tadawul.

Risks facing the Company:

Saudi Cement Company faces risks of rising prices of raw materials and other production inputs, and their effect on increasing operation cost. In addition, the Company faces the risk of the Kingdom's macroeconomic volatilities, like other domestic companies, which may result in decline in local cement demand because of expectations of lower government spending on infrastructure projects. The

Company faces the impact risk of rising interest rates on the profit margin of outstanding Islamic Murabaha loans within its obligations. The Company also faces the risk of changes in foreign currency exchange rates of the Saudi Riyal for its financial assets and liabilities denominated in foreign currencies.

Despite intensive preventive maintenance programs for the operating assets of the Company, the Company still may face the risk of unscheduled sudden stoppage of production lines. The Company also faces liquidity risk due to its inability to raise funds from operations to meet its obligations when they are due; therefore, the Company ensures that adequate Islamic banking financing is available to address these risks. Moreover, the Company faces credit risk from inability of its customers and bankers to fulfill their obligations to the Company, and the Company's management works to limit credit sales only to customers with high credit standing, as well as dealing with highly credit rated banks licensed by the Saudi Arabian Monetary Agency.

Total Exports Increase

+14.2%

From last year

*Expressed in Thousand Tons

480



2015

420



2014



Five Years' Balance Sheet and Income Statements

Five Years' Balance Sheet and Income Statement

Five years' Balance Sheet

(SR 000's)

Description	Years				
	2015	2014	2013	2012	2011
Current Assets	1,416,231	1,246,899	986,408	801,607	936,095
Non-Current Assets	3,097,358	3,260,353	3,384,487	3,531,555	3,662,824
Total Assets	4,513,589	4,507,252	4,370,895	4,333,162	4,598,919
Current Liabilities	1,166,451	1,106,556	841,467	767,386	824,477
Non-Current Liabilities	91,316	241,366	320,982	407,922	492,177
Total Liabilities	1,257,767	1,347,922	1,162,449	1,175,308	1,316,654
Paid up Capital	1,530,000	1,530,000	1,530,000	1,530,000	1,530,000
Reserves	785,000	785,000	835,000	835,000	729,075
Retained Earnings	940,822	844,330	843,446	792,854	1,023,190
Shareholders Equity	3,255,822	3,159,330	3,208,446	3,157,854	3,282,265
Total Liabilities & Shareholders' Equity	4,513,589	4,507,252	4,370,895	4,333,162	4,598,919

Five years' Income Statement

(SR 000's)

Description	Years				
	2015	2014	2013	2012	2011
Sales	1,932,393	2,024,587	2,187,255	2,203,447	1,716,095
Cost of Sales	(796,371)	(795,530)	(902,993)	(974,237)	(765,095)
Gross profit	1,136,022	1,229,057	1,284,262	1,229,210	951,000
Impairment loss Property, Plant & Equipment	(66,150)	0	0	0	0
Admin & Selling Exps.	(106,256)	(105,614)	(97,887)	(87,153)	(85,928)
Operating Income	963,616	1,123,443	1,186,375	1,142,057	865,072
Other Income/(Expenses)	785	(12,432)	(15,344)	395	(12,508)
Zakat	(24,209)	(36,927)	(47,239)	(40,663)	(21,337)
Net Income	940,192	1,074,084	1,123,792	1,101,789	831,227

Geographical Analysis of 2015 Revenue for Company and its Subsidiaries - Material Differences in Operating Results

Net Income

-12.5%

Decrease from last year

*Expressed in SAR millions



Geographical Analysis of 2015 Revenue for Company and its Subsidiaries:

The greater portion of Company's sales were made within Saudi Arabia, and a small portion was exported in accordance with the limits imposed by the government. Portland cement exports were confined to the Kingdom of Bahrain. Saudi Cement Company's local sales are made via truck delivery ex-plant Hofuf & Ain Dar Plants and Dammam Export Terminal through distributors mostly in the Eastern Province, as well as some Company customers and small traders. Accordingly, the geographical analysis of local market sales region wise is not possible. The following table shows the geographical analysis of sales revenue for Company and its subsidiaries for 2015:

(SR 000's)		
Details	2015	2014
Saudi Cement Company:		
Local Market	1,815,877	1,919,453
Export Market	116,516	105,134
Total	1,932,393	2,024,587
Subsidiaries:		
Local Market	179,553	146,792
Export Market	31,201	44,997
Total	210,754	191,789

Material Differences in Operating Results:

(SR 000's)

Details	2015	2014	% of change
Operating Profit	963,616	1,123,443	(14.2)

The decrease in operating profits compared to the previous year was due to decrease in local cement sales and impairment loss for the net book value of Kilns # 4 and 5 at Hofuf Plant previously announced in Tadawul on 29/12/2015.

Departure from Accounting Standards - Subsidiary Company - Dividend Policy

Departure from Accounting Standards:

There was not any departure from accounting standards issued by the Saudi Organization of Certified Public Accountants.

Subsidiary Company:

Saudi Cement Company owns shares in the following subsidiary companies.

Company name	% age of ownership	Established at	Country of operation	Main activity
1. United Cement Company:				
(Bahraini closed Joint Stock Company) Issued shares one million @ one BD nominal value/share and there are no issued debt instruments.	36%	Bahrain	Bahrain	Trading and transporting cement in Bahrain
2. Cement Product Industry Co. Ltd.:				
(Saudi Limited Liability Company). 18,000 issued shares @ SR 1,000 nominal value/share.	33.33%	KSA	KSA, Jeddah	Manufacturing and selling of paper bags for cement packing.
3. Group International Cement Company:				
(Kuwait closed Joint Stock Company) Number of shares issued 60 Million @100 Kuwait Fils nominal value/share and there are no issued debt instruments.	40%	Kuwait	Kuwait	Trading and packing of Cement & Bulk Products (still in pre-operating status)

Dividend Policy:

The Company distributes its annual net profits after deducting all general and administrative expenses and all other costs and provision for Zakat as follows:

- 10% of the net profit is set aside to formulate the Statutory Reserve, and the Ordinary General Assembly has the right to stop contribution to that reserve when it reaches 50% of the paid up capital. The 54th Ordinary General Assembly held on 08 Jumada-1 1434 corresponding to 20 March 2013 ratified stopping appropriation to Statutory Reserve since it had reached 50% of paid- up capital.
- It is also the right of the Ordinary General Assembly based on Board of Directors' recommendation, to set aside not less than 5% of the net profit to formulate a Voluntary Reserve for specific purpose(s).
- Distribute out of the remaining profit a first payment to shareholders representing 5% of paid up capital.
- Appropriate a maximum of 10% of the remaining profit as Board of Directors' remunerations not exceeding the maximum allowed limit per the decisions and instructions the pertinent government authorities
- It is possible to distribute all (or part of) the remaining profit as additional Dividend to Shareholders, or carry it forward (totally, or partially) to next year, in accordance with the decision of the ordinary general assembly on the recommendation of the Board of Directors.

Appropriation Account - Board of Directors Related Matters

Appropriation Account:

During its meeting on 07/08/1436 (25/05/2015) the Board of Directors has decided to distribute interim dividend for the first half of the year 2015 at the rate of Saudi Riyals Three (SR3) per share representing 30% of nominal paid up capital and totaling SR 459 million to shareholders registered on Tadawul as at close of market on Tuesday 13/09/1436 (30/06/2015) and disbursement of this interim dividend started on Tuesday 22/09/1436 (09/07/2015).

In accordance with the Company By Laws, the Board of Directors recommends to your General Assembly the approval of its recommendation at its Meeting on 25 Rabi' II ,1437 corresponding to 04 February 2016 to distribute interim dividends for the second half of 2015 at the rate of Saudi Riyals Three (SR3) per share representing 30% of nominal paid up capital and totaling SR 459 million to shareholders registered on Tadawul records as at close of market on the day of this shareholders' ordinary general assembly meeting on 15 Jumada II 1437 (24 March 2016).

If your General Assembly approve this distribution, the total dividend for the year 2015 will be Saudi Riyals Six (SR6) per share i.e. 60% of nominal paid up capital.

Below is the recommended profit appropriation:

	(SR 000's)
Net profit	940,192
Less: Statutory Reserve	-
	940,192
Less: First portion of dividend to shareholders of 5% of paid-up capital (SR1,530 millions)	76,500
	863,692
Less: Directors remunerations	2,200
	861,492
Add: Profits brought forward from previous year	459,630
	1,321,122
Less: Additional dividend to shareholders of 55% of paid up capital (SR1,530 millions)	841,500
Balance to be carried forward to next year	479,622

Board of Directors Related Matters:

Interest in voting shares in Saudi Cement held by persons (other than directors, senior executives and their relatives) per Article 45:

None

Board of Directors Related Matters (Continued)

Board of Directors Related Matters (Continued)

Interests, Rights of Board Members, and their relatives in the Shares of Saudi Cement Company:

Name	No. of Shares		Change (Share)	Percentage of change
	Beginning of the year	End of the year		
Khalid Abdulrahman Al Rajhi	12,338,507	12,338,507	-	-
Walid Ahmed Juffali	4,500	4,500	-	-
Mohammed S. Balghonaim	202,684	202,684	-	-
Khalid Abdulrahman Al Abdulkarim	17,137	17,137	-	-
Fahad Abdullah Al Saleh	1,500	1,500	-	-
Sami Ali Al-Juffali	1,500	941,928	940,428	62,695.2
Hamad Abdullah Al Olayan	1,500	1,500	-	-
Abdulrahman Sulaiman Al Rajhi	1,000	1,000	-	-
Mohammed Ali Al Garni	1,500	1,500	-	-
Ahmed Mohammed Al Omran	Non- Owner	Non- Owner	-	-
Mohammed Abdulkarim A. El Khereiji	1,056,937	1,056,937	-	-

Remarks:

1. There are no listed debt instruments or convertible debts instruments of the Company.
2. There are no contractually based securities, subscription rights, warrants or similar rights in the shares of the Company.

Interests and Rights of Executive Management, and their relatives in Shares of Saudi Cement:

Name	No. of Shares		Change (Share)	Percentage of change
	Beginning of the year	End of the year		
Mr. Hussain Bin Mansi Naser Abu Taki – Sales Manager	14,700	14,700	-	-

Board Members' Meetings and Attendance:

The Board of Directors held 4 (four) meetings during 2015, with the following attendance record:

Name of Board Member	Attendance register			
	5/2/2015	17/3/2015	25/5/2015	19/11/2015
Khaled Abdulrahman Al-Rajhi	✓	✓	✓	✓
Walid Ahmed Al-Juffali	×	✓	×	×
Mohammed S. Balghonaim	✓	✓	✓	✓
Khalid Abdulrahman Al-Abdulkarim	✓	✓	✓	✓
Fahad Abdullah Al-Saleh	✓	✓	✓	✓
Sami Ali Al-Juffali	×	×	×	×
Hamad Abdullah Al-Olayan	✓	✓	✓	✓
Abdulrahman Sulaiman Al-Rajhi	✓	✓	×	✓
Mohammed Ali Al-Garni	✓	✓	✓	✓
Ahmed Mohammed Al-Omran	✓	✓	✓	✓
Mohammed Abdulkarim A. El-Khereiji	✓	✓	✓	✓

✓ Attending × Absent

Board of Directors Related Matters (Continued) - Loans - Outstanding Regulatory Payments

Business or Contracts of the Company in which a Board Member, CEO, or CFO or any party related to any of them have an interest:

The Company has awarded the contract for 2015 insurance services (excluding medical insurance) to Wataniya Insurance Company (a related party to Dr. Walid Ahmed Al-Juffali who is a Board Member of Wataniya Insurance Company) after winning the bid that was invited during 2014.

The total insurance premiums that have accrued on the various insurance policies during the year amounted to about SR. 8.1 million including marine insurance on Company imports and rail cement cargos, as well as insurance covers on additions to tangible assets during the year.

Loans:

The following table illustrates the total SIDF and local banks' Islamic Tawarruq loans, their movements during the year 2015 and the outstanding balances as at the end of 2015:

SR Million

The Bank	Duration	Continued Loans	Balance as of 01/01/2015	Used during the year	Repaid during the year	Balance as of 31/12/2015
SAMBA	Revolving	N/A	500	380	580	300
SFB	Revolving	N/A	100	270	370	0
Riyadh	Revolving	N/A	0	300	0	300
SIDF	Eight Years	596	235	0	115	120
Total		596	835	950	1065	720

Saudi Cement Company would like to express its thanks and gratitude to SIDF management and staff for their sincere endeavors to support Saudi Cement Company's objectives, and thank the management and staff of the above local banks for the great confidence placed in our Company, and look forward to continued mutually beneficial relationships.

Outstanding Regulatory Payments:

(SR 000's)

Details	Years	
	2015	2014
Zakat & Income Tax	32,845	36,927
General Organization for Social Insurance	828	861
Raw Materials Exploitation Fees	50,321	47,283

Thrift Saving Program for Employees - Board of Directors' Declarations - Board approval of Interim and Annual Financial Statements - Corporate Governance

Thrift Saving Program for Saudi Cement Company employees:

The Company contributes to a Thrift Savings Program for its employees that was approved by the Ministry of Labor & Social Affairs on 11/05/1414 corresponding to 27/10/1993 in order to motivate employees to exert their best efforts in serving the Company, and increase their loyalty.

The following is the movement of Company's contribution to the Thrift Saving Program During the year.

Description	Amounts in SR
Balance at the beginning of the year	7,858,740
Additions during 2015	1,142,254
Deletions during 2015	965,746
Balance at the end of the year	8,035,248

Board of Directors' Declarations:

The Board of Directors declares that:

- A – Proper books of account have been maintained;
- B – The system of internal control is sound in design, and has been effectively implemented; and
- C - There are no significant doubts about the Company's ability to continue as a going concern.

Board approval of Interim and Annual Financial Statements:

Dr. Walid bin Ahmed Al-Juffali, the Managing Director, approved the interim and annual financial statements during the fiscal year 2015 in accordance with the Board's authorization to him.

Corporate Governance:

Saudi Cement Company has already prepared its own Corporate Governance Charter, which was approved by the Board of Directors on 22nd of Safar 1430 corresponding to 17/2/2009. Saudi Cement Company is currently applying all the Corporate Governance Regulations provisions, except for the following:

No. Pertinent Article/Para	Reasons for non-adoption
1. 6/(b) "Cumulative voting method shall be applied for the election of Board Members"	Will be applied once it becomes mandatory.
2. 6/(d) "Investors who are legal persons and who act on behalf of others - e.g. investment funds- shall disclose in their annual reports their voting policies, actual voting, and ways of dealing with any material conflict of interests that may affect the practice of the fundamental rights in relation to their investments".	Not mandatory by regulation beside absence of mechanism for execution so far.
3. 10/(e) "Outlining a written policy that regulate the relationship with stakeholders with a view to protecting their respective rights; in particular, such policy must cover ..etc."	Will be applied once it becomes mandatory.
4. 12/(i) "Legal person who is entitled under the Company's Articles of Association to appoint representatives in the Board of Directors, is not entitled to vote on the appointment of other members of the Board of Directors".	Non-Applicable

Board Members Holding Directorships in other Saudi listed Companies

Board Members Holding Directorships in other Saudi listed Companies:

The following Board Members hold directorships in other joint stock companies:

Name of Board Member	Name of Listed Company
Khaled Abdulrahman Al-Rajhi	<ul style="list-style-type: none"> – Al-Bilad Bank – Saudi United Company for Co-operative Insurance “ Walaa – Takween Advanced Industries Company
Walid Ahmad Al-Juffali	<ul style="list-style-type: none"> – Wataniya Cooperative Insurance Company-KSA. – Ibrahim Juffali & Brothers (Closed Joint Stock Company) KSA
Khaled Abdulrahman Al-Abdulkarim	<ul style="list-style-type: none"> – Samba Financial Group
Sami Ali Al-Juffali	<ul style="list-style-type: none"> – Ibrahim Juffali & Brothers (Closed Joint Stock Company) KSA
Hamad Abdullah Al-Olayan (Representative of Saudi Cement Company)	<ul style="list-style-type: none"> – United Cement Company (Bahraini Closed Joint Stock Company) – Group International Cement Company (Kuwaiti Closed Joint Stock Company)
Dr. Abdulrahman Sulaiman Al-Rajhi	<ul style="list-style-type: none"> – Advanced Educational Company (Closed Joint Stock Company) – Saudi Industrial Investment Group – Al-Rajhi Brothers Group Company (Closed Joint Stock Company) – Syuop Arabian Company (Closed Joint Stock Company)
Mohammed Ali Al-Garni (Representative of Saudi Cement Company)	<ul style="list-style-type: none"> – United Cement Company (Bahraini Closed Joint Stock Company) – Group International Cement Company (Kuwaiti Closed Joint Stock Company)
Ahmed Mohammed Al-Omran	<ul style="list-style-type: none"> – Samba Financial Group
Mohammed A. Al-Khereiji	<ul style="list-style-type: none"> – Ace Arabia Cooperative Insurance Company

Board Membership & Classification - Audit Committee

Board Membership & Classification:

The Board of Directors consists of eleven (11) members, and their classification for 2015 was as follows:

Name of Board Member	Designation	Classification
Khaled Abdulrahman Al-Rajhi	Chairman	Non-Executive
Walid Ahmed Juffali	Board Member & Managing Director	Executive
Mohammed S. Balghonaim	Board Member	Independent
Khaled Abdulrahman Al-Abdulkarim	Board Member	Independent
Fahad Abdullah Al Saleh *	Board Member	Non-Executive
Sami Ali Juffali	Board Member	Independent
Hamad Abdulla Al Olayan	Board Member	Non-Executive
Abdulrahman Suleiman Al-Rajhi	Board Member	Non-Executive
Mohammed Ali Al Garni	Board Member & Chief Executive Officer	Executive
Ahmed Mohammed Al-Omran**	Board Member	Non-Executive
Mohammed A. El-Khereiji	Board Member	Independent

* Representative of General Organization for Retirement.

** Representative of the General Organization for Social Insurance effective.

It is worth mentioning that the Shareholders' General Assembly has convened on 07/02/1437 corresponding to 19/11/2015, and elected a new Board of Directors for the term from 01/01/2016 to 31/12/2018, made up of the following:

Mohammed S. Balghonaim, Walid Ahmed Al-Juffali, Khaled Abdulrahman Al-Abdulkarim, Fahad Abdullah Al-Saleh, Amin Mousa Al-Afifi, Hamad Abdullah Al-Olayan, Abdulrahman Suleiman Al-Rajhi, Mohammed Ali Al-Garni, Khaled Abdulrahman Al-Rajhi, Ahmed Mohammed Al-Omran, Mohammed Abdulkarim A. El-Khereiji. In addition, the General Assembly approved the changes to the by-laws, which were announced in Tadawul and the Company's website.

Hence, the Board of Directors would like to thank departing members, welcome new members, and wish all success.

Audit Committee:

The Audit Committee's members are:

Hamad Abdulla Al-Olayan	Chairman
Mohammed A. Al-Khereiji	Member
Dr. Ahmad Abdulla Al-Maghamis	(External member) Member

The Committee has performed its duties and responsibilities through Seven meetings held during the year.

The most important duties and responsibilities of the Committee are: Discussions of the interim and yearly Financial Statements before being reported to the Board of Directors; recommendations to the Board for appointment, evaluation and determining the fees of the External Auditors; follow up of the work of the appointed External Auditors; studying the internal control system, and giving a written report of its opinion & recommendations in this regard; supervising the Company internal audit department and studying its reports and following up on the implementation of corrective actions of all observations in the internal audit reports.

The Nominations & Remunerations Committee - Executive Committee

The Nominations & Remunerations Committee:

The Nominations & Remunerations committee's members are:

Dr. Walid Ahmed Al-Juffali	Chairman
Dr. Mohammed S. Balghonaim	Member
Mr. Khaled Abdulrahman Al-Abdulkarim	Member

The Committee has performed its duties and responsibilities through two meetings held during the year. The most important duties and responsibilities of the Committee are: recommend to the Board nomination of directors, review the structure of the Board, and annually review the capabilities and qualifications of its members, and recommend possible changes that can be made for the Company's benefit; set clear policies for the compensation & remuneration of the Board members and the Executive Management on the basis of their performance, ensuring that the compensation and rewards are adequate to retain qualified persons, as well as to attract qualified people by giving offers which are compatible with the market's competitive levels of compensation and rewards. Verify annually the independence of the independent Board members and prevent any conflict of interest for members holding directorship in other companies.

Executive Committee:

The Board of Directors decided during its meeting on 17.03.2015 to form an Executive Committee composed of:

Khaled bin Abdul Rahman Al-Rajhi	Chairman
Dr. Walid bin Ahmed Juffali	Member
Fahad bin Abdullah Al-Saleh	Member

The Board had approved the Executive Committee's Bylaws, and its main functions and responsibilities are: the exercise of financial and other authorities granted by the Board, the appointment of a member of the Committee to sign as Board representative, on the interim and annual financial statements beside the CEO and CFO, in accordance with the requirements of the Capital Market Authority, as well as signing on behalf of the Board according any other regulatory requirements, and carry out any other tasks as delegated by the Board. This Committee has performed its duties and responsibilities through approval of several decisions that fell within its financial authorities during the period.

Board of Directors' Remuneration and Other Compensation - Executives Remunerations

Board of Directors' Remuneration and Other Compensation paid during 2015:

The Chairman and members of the Board of Directors did not receive any remuneration or other compensations during 2015 except as detailed below:

Saudi Riyal

Name of Board Member	Yearly Remuneration	Other compensations	Total
Khaled Abdulrahman Al-Rajhi	200,000	12,000	212,000
Walid Ahmed Al-Juffali	200,000	220,490	440,490
Mohammed Abdulkarim A. El-Khereiji	200,000	12,000	212,000
Mohammed S. Balghonaim	200,000	18,200	218,200
Khaled Abdulrahman Al-Abdulkarim	200,000	9,000	209,000
Fahad Abdullah Al-Saleh	200,000	22,200	222,200
Sami Ali Al-Juffali	200,000	0	200,000
Hamad Abdulla Al-Olayan	200,000	12,000	212,000
Abdulrahman Suleiman Al-Rajhi	200,000	18,200	218,200
Ahmed Mohammed Al-Omran	200,000	22,200	222,200
Mohammed Ali Al-Garni	200,000	12,000	212,000

Highest Remunerations & Compensations paid during 2015 to Top Five Executives:

The following schedule shows details of highest remunerations & compensations paid to the top five executives, including both CEO and CFO:

Description	Amounts In SR (000's)
Annual Salaries & compensation	3,523
Annual Allowances	2,900
Annual Bonus	5,048
Annual Performance Incentives	6,170



Results of Annual Audit - Implementing International Financial Reporting Standards (IFRS)

Results of Annual Audit on the effectiveness of internal control procedures:

The Internal Audit Department of the Company implements continuous operational audits to ensure the effectiveness of internal control system and procedures in safeguarding the Company's assets, and assess operational risks and the adequacy of performance effectiveness. These internal operational audits did not show any material weakness in the internal control system of the Company, and found that the internal control procedures were operating efficiently. In addition, the External Auditors usually conduct an evaluation of that system as part of their audit of the Company's financial statements, whereby they are enabled access to all the minutes of the internal audit committee as well as reports of the internal audit department for the period subject to their examination.

Saudi Cement Company's plan for implementing International Financial Reporting Standards (IFRS):

This has reference to the Capital Market Authority (CMA) circular dated 12/08/2015 emphasizing Board of Directors' preparation of an IFRS conversion plan for financial statements prepared for accounting periods commencing 01/01/2017 onwards. Reference is also made to CMA circular dated 13/01/2016 concerning the requirement for Board of Directors' incorporating in 2015 and 2016 annual reports particulars of the aforesaid plan, progress in its implementation, and the Company's readiness to apply IFRS effective 01/01/2017.

Due to the need of early preparation for IFRS implementation and its necessitating review of accounting policies and staff training, the executive management has prepared its IFRS implementation plan on two main pillars:

1. Training & preparation of Finance Dept. staff for the changeover in terms of knowledge of IFRS & their applications and potential new/changed accounting procedures or requirements.
2. Identification of primary areas of diversion with current Saudi GAAP that are going to affect Saudi Cement Company's financial statements. This step assumes great significance and poses a challenge in the absence of any guidance from SOCPA or another regulator, as were the case with other countries' conversion to IFRS in the past,

Detailed below is the progress made so far by the Company on the above two pillars:

1. Training & preparation of Staff:

The Company have commenced with competent external providers training of main staff concerned with financial reporting since 4Q14 and completed that training during 1h15. A refresher course shall be arranged for them during 2h16. Training of remaining staff has commenced in 2015 and expected to finish by 3Q16. A complete hard copy of IFRS has been made available, and arrangements are to be made during 2h16 for providing electronic IFRS access as well as SOCPA Arabic translated IFRS to concerned staff.



International Financial Reporting Standards (IFRS) (Continued) - Environmental Protection and Pollution Control



2. Identification of primary diversion areas:

Extensive research was carried out through exploring the most recent IFRS conversions in other countries to devise a suitable mechanism for such identification. In consultation with our external auditors, a number of main diversion areas affecting Saudi Cement Company's financial statements were identified and preparations are made to deal with them. Other identified diversion issues pertain to IFRS extensive disclosure requirements for such areas as related parties' transactions, segmental reporting, and risks management. These can be handled with appropriate narratives on the pertinent reporting dates.

It is worth noting that the Audit Committee had previously requested the management to report on IFRS conversion plan to the Committee. During its first meeting for 2016 on 12/01/2016, the Audit Committee went over the report and stressed the need for adding IT role in preparedness and capability of the management information system in meeting conversion requirements, and directed executive management to incorporate that role into the plan.

The Audit Committee also directed Internal Audit Dept. to follow up implementation of the plan with the pertinent departments, and report to the Committee during its regular meetings on the progress of preparation for implementation of IFRS and any arising problems.

Environmental Protection and Pollution Control:

Saudi Cement Company has intensified its efforts with the concerned authorities for implementing measures to improve its facilities and promote a better environment.

In this regard, the design for the two new production lines has taken into consideration the latest technologies for dust collection that will lead to the highest standards in environmental protection and pollution control, which surpass MEPA's requirements. Meanwhile, the Company has replaced the Electrostatic Precipitators (EPs) for kiln 6 with Bag House filters, hence completing the whole dust emission control system at Saudi Cement Company's plant to reach the least dust pollution levels for all its facilities as required by the authorities.

It should also be noted that all new projects to improve performance will incorporate the latest sophisticated equipment for controlling dust emissions.

Hiring and Training of Saudi Nationals - Corporate Social Responsibility

The percentage of Saudi workforce at the end of 2015 has reached about 52.8%. Saudi Cement Company is adopting Saudization plan as a national strategic goal and will continue in this plan.



Hiring and Training of Saudi Nationals:

Saudi Cement Company implemented technical and administrative training courses during 2015, for 308 of its Saudi employees. Additionally, Saudi Cement carried out co-operative training for college and university students, as well as its students' summer training programs.

Saudi Cement Company continued in its implementation of technical and administrative training courses to help in qualifying the employees and improve their efficiency.

The percentage of Saudi workforce at the end of 2015 had reached 52.8%. Saudi Cement Company have sought to reinforce its Saudization plan as a national strategic goal and is continuing that quest.

Corporate Social Responsibility (CSR):

Saudi Cement Company has a long-standing commitment towards the community, supporting many institutions in the Kingdom of Saudi Arabia. The Company's corporate culture encourages giving back, with many of its employees passionately volunteering for these initiatives.

The Company presented direct support during year 2015 to the following societies:

Social Charitable Societies:

Benevolence Charitable Society in Eastern Province, Benevolence Charitable Society in Al Ahsa Province, Charitable Holy Qura'an Memorization Society in Eastern Province, Charitable Holy Qura'an Memorization Society in Al Ahsa Province, Al Omran Charitable Society, Fatat Al Ahsa

Charitable Society, Al Oyoon Charitable Society, Al Helailah Charitable Society, Al Mouwasat Charitable Society, Al Foddol Charitable Society, Al Mansourah Charitable Society, Charitable Women Society for Social Services, Qafelat El Khair Society for Social Services, Benevolence Charitable Society in El Kalabiah, El Bataliah Charitable Society, Al Morah Charitable Society, El Tarf Charitable Society, El Jesha Charitable Society, El Jaffer Charitable Society.

Specialized Charitable Societies:

Prince Sultan Disabled Rehabilitation Center in Eastern Province, Al Rahma Charitable Medical Society, Saudi Charitable Society for Cancer Patients Care, Charitable Anti Drugs Society, Saudi Charitable Diabetics & Endocrinology Society, Anti Smoke Charitable Society in Dammam, Anti-Smoking Charitable Society in Al Ahsa, Charitable Disabled Care & Rehabilitation Society, Charitable Marriage Facilitation & Family Care Society.

In addition to that, Saudi Cement Company has sponsored many occasions and ceremonies including the sponsoring of "We are All Producers Program" that was organized by Al Ahsa Girl Society, participation in Gulf Traffic Campaign for the Year 2015 in collaboration with General Directorate of Traffic, sponsoring the Distinguished Employees Honoring Ceremony in Saudi Railway Organization, participation in the awareness Campaign in collaboration with General Directorate of Anti Drugs in Al Ahsa Governorate, participation in supporting the National Day Ceremony Fund of Al Ahsa Governorate Emarah and also participation in supporting the (Railway Magazine) of the Saudi Railway Organization etc.

Corporate Social Responsibility (Continued) - Quality Certificates

Accidents & Casualty Center in the National Guard Hospital, Al Ahsa:

Based on Company's social responsibility towards the community, the Extraordinary General Assembly held on 4/6/1431H (18/5/2010) approved the recommendation of Saudi Cement Company's Board of Directors for allotting an amount of SR 50 million (Fifty Million Saudi Riyals only) from the Conventional Reserve for the construction of Casualties & Accidents Center in King Abdul Aziz Hospital of the National Guard Health Affairs in Al Ahsa Governorate. Since the Health Affairs have started the execution of the project, and following a visit to the project site by some Company's officials, the Executive Management has signed a contract for donating the construction of Casualties and Accidents Center in King Abdul Aziz Hospital in Al Ahsa on 23/6/2014. Accordingly, the payment shall be effected through 5 equal instalments during the years 2015 and 2016. During 2015, Saudi Cement Company paid two instalments of an amount of SR 20 million, and the remaining amount of SR 30 million will be paid during 2016. The expected completion date of the project is 16/10/2016.

Quality Certificates:

The Company has continued its application of, and compliance with, international Quality Management Systems, and maintained its ISO 9001:2008 certifications obtained from specialized and accredited German Company (TUV NORD) for the Hofuf and Ain Dar Plants. This reaffirms the commitment of the Company towards the full compliance and implementation of the quality management programs in all its internal administration and production / technical processes, with the purpose of attaining the desired level of efficiency, effectiveness, and continuous improvement for all Company's different operating sectors and functional lines.

The Company has continued to comply with quality standards of the Saudi Standards, Metrology and Quality Organization (SASO), as well as the special quality requirements of some GCC countries.

The Company has obtained the (CE) Certification of Conformity issued by the Belgian Certification Body (BE-CERT), which is required by European countries, for its products from Hofuf Plant to replace the previously granted certification to Ain Dar Plant.

Furthermore, Company has continued to comply with the quality specifications of the American Petroleum Institute (API) for its oil-well cement product.



SCC continued to comply with quality standards of the Saudi Arabian Standards Organization (SASO), as well as other international standards.

Board of Directors' Proposals

Board of Directors' Proposals:

The Board of Directors recommends your adoption of the following resolutions:

1. The vote on the Board of Directors' report for the year ended 31/12/2015.
2. The vote on the financial statements for the financial year ended 31/12/2015.
3. The vote on the Auditors Report for the financial year ended 31/12/2015.
4. The vote on the appointment of the Company external auditor from the selected list for the financial year 2016, review of the Company quarterly interim financial statements and determination of their fees.
5. The vote on resolving the Board of Directors from responsibilities with respect to the management of the Company for fiscal year end 31/12/2015.
6. The vote on distribution of cash dividends to shareholders for the second half of year 2015 at the rate of SR 3 per share, representing 30% of the share capital. This is in addition to what has been distributed as cash dividends to shareholders based on the Board decision for the first half of year 2015 at the rate of SR 3 per share, representing 30% of the share capital. Hence, the total cash dividends distribution for the year ended 31-12-2015 will be SR 6 per share representing 60% of the share capital. Entitlement to interim dividends for the Second half of year 2015 shall be to shareholders on the registers of the Securities Depository Center (Tadawul) at the close of trading on the day of this general assembly meeting.
7. The vote on disbursement in the amount of SAR 2,200,000 (Two Million Two Hundred Thousand Saudi Riyals) as directors remuneration for the year 2015 at the rate of SAR 200,000 per director.
8. The vote on the Board recommendation to transfer the remaining balance of the voluntary reserves (unappropriated) with total amount of SR 20 Million (Twenty Million Saudi Riyals) to the Retained Earnings.
9. The vote on the Board decision to appoint Ms Halla Walid Al-Juffali as new member (Independent Director) of the Board to substitute the resigned member, Dr. Waleed Al-Juffali for the remainder of the current Board Term.



Conclusion

The Board of Directors expresses its appreciation and gratitude to all Saudi Cement Company shareholders for their confidence and support, and prays to Allah Almighty for His Blessings to our country and to our leaders, His Majesty the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al-Saud, and HRH Crown Prince, First Deputy Prime Minister and the Minister of Interior, Prince Muhammad bin Naif bin Abdulaziz Al-Saud, and HRH Prince Mohammed bin Salman bin Abdulaziz Al-Saud, Deputy Crown Prince, Second Deputy Premier and Minister of Defense.

The Board of Directors also extends its thanks and gratitude to all government departments and private sector entities and to all Saudi Cement Company's customers and suppliers for their continuous support and last but not least, to the Company employees for their continued efforts and their will to serve the Company most efficiently and diligently.

May Allah bless you all.

The Board of Directors

Financial Statements and Auditors' Report

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Independent 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:

1. 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.
2. 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'l 1437H
16 February 2016

Alkhobar

Balance Sheet

As at December 31, 2015

	Note	2015 SR "000"	2014 SR "000"
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
Employee's 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

Statement of Income

Statement of Income

For the year ended December 31, 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 loan	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

Statement of Cash Flows

For the year ended December 31, 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
		1,256,507	1,334,783
Changes in operating assets and liabilities:			
Receivables		1,725	68,877
Inventories		(86,406)	(121,409)
Payables		48,977	32,041
Cash from operations		1,220,803	1,314,292
Islamic financial charges paid		(8,130)	(9,846)
Zakat paid		(28,291)	(37,893)
Net cash from operating activities		1,184,382	1,266,553
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
Net cash used in investing activities		(121,031)	(83,377)
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)
Net cash used in financing activities		(978,700)	(998,200)
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

Statement of Changes in Shareholders' Equity

Statement of Changes in Shareholders' Equity

For the year ended December 31, 2015

	Share capital SR "000"	Statutory reserve SR "000"	General reserve SR "000"	Retained earnings SR "000"	Total SR "000"
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

Notes to the Financial Statements

At December 31, 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 receivables

Accounts receivables 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.

Notes to the Financial Statements (Continued)

At December 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Notes to the Financial Statements (Continued)

At December 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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	-
	383,000	298,349

Notes to the Financial Statements

Notes to the Financial Statements (Continued)

At December 31, 2015

4. TRADE ACCOUNTS RECEIVABLES

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

5. INVENTORIES

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

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

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

6. PREPAYMENTS AND OTHER RECEIVABLES

	2015 SR "000"	2014 SR "000"
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
	51,375	63,357

Notes to the Financial Statements (Continued)

At December 31, 2015

7. RELATED PARTIES' TRANSACTIONS 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:

Related parties	Nature of transactions	Amount of transactions		Year-end balance	
		2015	2014	2015	2014
		SR "000"	SR "000"	SR "000"	SR "000"

A) Trade accounts receivables due from a related party under note 4:

United Cement Company	Sales	112,803	74,767	23,971	17,887
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B) Advance to a related party under note 6:

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

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:

	United Cement Company SR "000"	Cement Product Industry Company Limited SR "000"	Group International Cement Company SR "000"	Total 2015 SR "000"	Total 2014 SR "000"
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	28,202	30,610	23,988	82,800	86,878

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.

Notes to the Financial Statements

Notes to the Financial Statements (Continued)

At December 31, 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	03 to 30 years
Tools and transportation equipment	04 to 10 years
Furniture, fixtures and office equipment	04 to 10 years

	Land SR "000"	Buildings and civil works SR "000"	Plant and equipment SR "000"	Tools and transportation equipment SR "000"	Furniture, fixtures and office equipment SR "000"	Total 2015 SR "000"	Total 2014 SR "000"
Cost:							
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
Accumulated depreciation:							
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
Net book amounts:							
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

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).

Notes to the Financial Statements (Continued)

At December 31, 2015

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 capital 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	138,134	64,107

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
	120,393	110,597

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.

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.

Notes to the Financial Statements

Notes to the Financial Statements (Continued)

At December 31, 2015

14. SAUDI INDUSTRIAL DEVELOPMENT FUND LOAN

	2015 SR "000"	2014 SR "000"
Saudi Industrial Development Fund loan	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 Guard Hospital in Al-Ahsa for the treatment of people injured in accidents, as part of the social services provided by the Company to the community. The Company signed an agreement during 2014 with the National Guard Health Affairs, whereby the amount of SR 50 million shall be disbursed through five equal installments during 2015 and 2016.

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	24,209	36,927

Notes to the Financial Statements (Continued)

At December 31, 2015

16. ZAKAT (continued)

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)
	(589,072)	(991,602)
Zakatable profit for the year	968,360	1,111,011
Zakat base	968,360	1,111,011

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	32,845	36,927

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.

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.

Notes to the Financial Statements

Notes to the Financial Statements (Continued)

At December 31, 2015

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
	35,129	38,091

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
	71,127	67,523

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.

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.

Notes to the Financial Statements (Continued)

At December 31, 2015

24. RISK MANAGEMENT (continued)

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 ASSETS 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) do 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.

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