

**SAUDI CEMENT COMPANY**  
**(A Saudi Joint Stock Company)**

**INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2015**

**LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF  
SAUDI CEMENT COMPANY  
(A Saudi Joint Stock Company)**

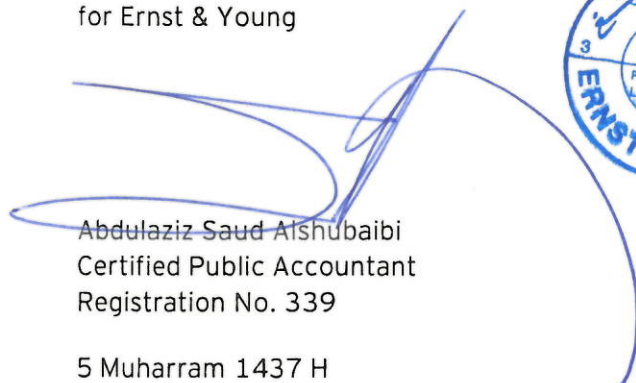
**Scope of limited review:**

We have reviewed the accompanying interim balance sheet of Saudi Cement Company, a Saudi Joint Stock Company ("the Company") as at 30 September 2015, and the related interim statements of income for the three and nine months periods then ended and the interim statement of cash flows and changes in shareholders' equity for the nine months period then ended. These interim financial statements have been prepared by the Company's management and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). The limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, 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.

**Conclusion of limited review:**

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

for Ernst & Young

  
Abdulaziz Saud Alshubaibi  
Certified Public Accountant  
Registration No. 339



5 Muharram 1437 H  
18 October 2015

Alkhobar

Saudi Cement Company  
(A Saudi Joint Stock Company)

INTERIM BALANCE SHEET (UNAUDITED)

As at 30 September 2015

		30 September 2015 SR' 000	30 September 2014 SR' 000
<b>ASSETS</b>	<i>Note</i>		
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		157,549	71,698
Trade accounts receivable		222,537	209,585
Inventories		738,397	649,680
Prepayments and other receivables		66,763	77,142
<b>TOTAL CURRENT ASSETS</b>		<b>1,185,246</b>	<b>1,008,105</b>
<b>NON-CURRENT ASSETS</b>			
Investments in associated companies		85,738	86,134
Property, plant and equipment		2,987,553	3,068,083
Capital work in progress		80,040	135,708
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,153,331</b>	<b>3,289,925</b>
<b>TOTAL ASSETS</b>		<b>4,338,577</b>	<b>4,298,030</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Trade accounts payable		64,356	55,597
Islamic financing	3	570,000	650,000
Dividends payable	6	178,637	149,376
Current portion of Saudi Industrial Development Fund loan		120,000	110,000
Current portion of liability for charitable contribution	4	30,000	20,000
Accruals and other payables		102,058	101,007
Zakat provision		28,182	20,668
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,093,233</b>	<b>1,106,648</b>
<b>NON-CURRENT LIABILITIES</b>			
Saudi Industrial Development Fund loan		60,000	180,000
Liability for charitable contribution	4	10,000	30,000
Employees' terminal benefits		95,226	90,072
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>165,226</b>	<b>300,072</b>
<b>TOTAL LIABILITIES</b>		<b>1,258,459</b>	<b>1,406,720</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	1,530,000	1,530,000
Statutory reserve		765,000	765,000
General reserve	5	20,000	20,000
Retained earnings		765,118	576,310
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>3,080,118</b>	<b>2,891,310</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>4,338,577</b>	<b>4,298,030</b>





The attached notes from 1 to 10 form an integral part of these interim financial statements.

**Saudi Cement Company**  
**(A Saudi Joint Stock Company)**

**INTERIM STATEMENT OF INCOME (UNAUDITED)**

For the three and nine months periods ended 30 September 2015

	<i>For the three months period ended 30 September</i>		<i>For the nine months period ended 30 September</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>
Sales	398,305	425,736	1,448,810	1,498,878
Cost of sales	<u>(165,557)</u>	<u>(161,308)</u>	<u>(592,878)</u>	<u>(585,549)</u>
<b>GROSS PROFIT</b>	<b>232,748</b>	<b>264,428</b>	<b>855,932</b>	<b>913,329</b>
<b>EXPENSES</b>				
Selling and distribution	(7,687)	(10,139)	(26,518)	(27,930)
General and administration	<u>(15,126)</u>	<u>(17,057)</u>	<u>(50,820)</u>	<u>(48,792)</u>
<b>INCOME FROM MAIN OPERATIONS</b>	<b>209,935</b>	<b>237,232</b>	<b>778,594</b>	<b>836,607</b>
Other income	5,369	4,620	11,116	6,096
Financial charges	<u>(3,712)</u>	<u>(4,634)</u>	<u>(9,902)</u>	<u>(11,535)</u>
<b>INCOME BEFORE SHARE IN RESULTS OF ASSOCIATED COMPANIES AND ZAKAT</b>	<b>211,592</b>	<b>237,218</b>	<b>779,808</b>	<b>831,168</b>
Share in results of associated companies	<u>1,242</u>	<u>466</u>	<u>4,226</u>	<u>(4,436)</u>
<b>INCOME BEFORE ZAKAT</b>	<b>212,834</b>	<b>237,684</b>	<b>784,034</b>	<b>826,732</b>
Zakat	<u>(5,266)</u>	<u>(5,964)</u>	<u>(19,546)</u>	<u>(20,668)</u>
<b>NET INCOME FOR THE PERIOD</b>	<b><u>207,568</u></b>	<b><u>231,720</u></b>	<b><u>764,488</u></b>	<b><u>806,064</u></b>

**EARNINGS PER SHARE (SR):**

Earnings per share from main operations	<u>1.37</u>	<u>1.55</u>	<u>5.09</u>	<u>5.47</u>
Earnings per share from net income	<u>1.36</u>	<u>1.51</u>	<u>5.00</u>	<u>5.27</u>
Number of shares outstanding (in thousands) (note 7)	<u>153,000</u>	<u>153,000</u>	<u>153,000</u>	<u>153,000</u>



The attached notes from 1 to 10 form an integral part of these interim financial statements.

**Saudi Cement Company**  
(A Saudi Joint Stock Company)

**INTERIM STATEMENT OF CASH FLOW (UNAUDITED)**  
For the nine months period ended 30 September 2015

	<i>For the nine months period ended 30 September 2015 SR' 000</i>	<i>For the nine months period ended 30 September 2014 SR' 000</i>
<b>OPERATING ACTIVITIES</b>		
Income before zakat	784,034	826,732
Adjustments for:		
Depreciation of property, plant and equipment	164,174	151,926
Share in results of associated companies	(4,226)	4,436
Employees' terminal benefits, net	3,860	5,121
Financial charges	9,902	11,535
Gain on disposal of property, plant and equipment	(133)	(5,806)
	<u>957,611</u>	<u>993,944</u>
Changes in operating assets and liabilities:		
Receivables	(16,143)	49,754
Inventories	(80,434)	(113,126)
Payables	<u>33,234</u>	<u>26,309</u>
Cash from operations	<u>894,268</u>	<u>956,881</u>
Financial charges paid	(9,902)	(11,535)
Zakat paid	<u>(28,291)</u>	<u>(37,893)</u>
Net cash from operating activities	<u>856,075</u>	<u>907,453</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(47,742)	(62,694)
Additions to capital work in progress	(15,933)	-
Proceeds from disposal of property, plant and equipment	134	5,872
Dividends received from associated companies	<u>5,366</u>	<u>894</u>
Net cash used in investing activities	<u>(58,175)</u>	<u>(55,928)</u>
<b>FINANCING ACTIVITIES</b>		
Net movement in Islamic financing	(30,000)	225,000
Charitable contribution paid	(10,000)	-
Net movement in Saudi Industrial Development Fund loan	(55,000)	(45,000)
Dividends and board of directors' remuneration paid	<u>(843,700)</u>	<u>(1,073,200)</u>
Net cash used in financing activities	<u>(938,700)</u>	<u>(893,200)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(140,800)</u>	<u>(41,675)</u>
Cash and cash equivalents at the beginning of the period	<u>298,349</u>	<u>113,373</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>157,549</u>	<u>71,698</u>

The attached notes from 1 to 10 form an integral part of these interim financial statements.

Saudi Cement Company  
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INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine months period ended 30 September 2015

	<i>Share capital</i> <i>SR' 000</i>	<i>Statutory</i> <i>reserve</i> <i>SR' 000</i>	<i>General</i> <i>reserve</i> <i>SR' 000</i>	<i>Retained</i> <i>earnings</i> <i>SR' 000</i>	<i>Total</i> <i>SR' 000</i>
Balance at 1 January 2014 (Audited)	1,530,000	765,000	20,000	843,446	3,158,446
Net income for the period	-	-	-	806,064	806,064
Board of directors' remuneration	-	-	-	(2,200)	(2,200)
Dividends	-	-	-	(1,071,000)	(1,071,000)
Balance at 30 September 2014 (Unaudited)	<u>1,530,000</u>	<u>765,000</u>	<u>20,000</u>	<u>576,310</u>	<u>2,891,310</u>
Balance at 1 January 2015 (Audited)	1,530,000	765,000	20,000	844,330	3,159,330
Net income for the period	-	-	-	764,488	764,488
Board of directors' remuneration	-	-	-	(2,200)	(2,200)
Dividends	-	-	-	(841,500)	(841,500)
Balance at 30 September 2015 (Unaudited)	<u>1,530,000</u>	<u>765,000</u>	<u>20,000</u>	<u>765,118</u>	<u>3,080,118</u>

The attached notes from 1 to 10 form an integral part of these interim financial statements.

**Saudi Cement Company**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three and nine months periods ended 30 September 2015

**1 ACTIVITIES**

Saudi Cement Company ("the Company") is a Saudi Joint Stock Company incorporated under Royal Decree No. 6/6/10/726 dated 8 Rabi' II 1375 H (corresponding to 23 November 1955) and registered under Commercial Registration No. 2050000602 dated 6 Dhul Qaidah 1377 H (corresponding to 24 May 1958) in the city of Dammam.

The Company is engaged in manufacturing and selling cement and its related products.

**2 SIGNIFICANT ACCOUNTING POLICIES**

The accompanying interim financial statements have been prepared in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). The significant accounting policies adopted by the Company in preparing its interim financial statements, summarized below, are consistent with those used in the preparation of the last audited financial statements for the year ended 31 December 2014:

**Accounting convention**

The interim financial statements are prepared under the historical cost convention.

**Use of estimate**

The preparation of interim 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 interim 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 and cash, Murabaha investment that is readily convertible into known amounts of cash and have original maturities of three months or less, when purchased.

**Accounts receivable**

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

**Inventories**

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

Raw materials and consumables	-	purchase cost on a weighted average basis.
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overhead based on normal level of activity.

**Investments 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.

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months periods ended 30 September 2015

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

**Capital work in progress**

Capital work in progress is stated at cost and includes all costs relating directly and indirectly to the construction projects in progress and is capitalized as property, plant and equipment when the project is completed.

**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 interim 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.

**Zakat**

Zakat is provided for the Company in accordance with Saudi Arabian fiscal regulations. The provision is charged to the interim statement of income. Additional amounts, if any, that become due on finalization of an assessment are accounted for in the period in which the assessment is finalized.

The provision for the Company for the interim period is calculated based on estimated zakat provision for the whole year. The difference between the provision made during the interim period and the actual provision for the period based on detailed zakat calculation for the year is accounted for at year end.

**Employees' terminal benefits**

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

**Dividends**

Dividends are recognized 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.

**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 expenses other than financial charges 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 interim 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 interim balance sheet date. All differences are taken to interim statement of income.

**Saudi Cement Company**  
**(A Saudi Joint Stock Company)**

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three and nine months periods ended 30 September 2015

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Earnings per share**

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

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

**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.

**Results of the interim period**

The Company has made all necessary adjustments which are important in order to present fairly in all material respects the interim financial position and results of operations. The interim financial results may not be considered an accurate basis for the actual results for the whole year.

**3 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 2,650 million) and are secured by promissory notes issued by the Company and carry commission agreed with the facilities providers. The Company is required to comply with certain covenants over the facilities agreements. The outstanding Islamic financing is classified under current liabilities in the interim balance sheet as it is repayable within 12 months from the interim balance sheet date.

**4 LIABILITIES FOR CHARITABLE CONTRIBUTION**

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

**5 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 reserve was carried forward as a general reserve.

**6 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 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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months periods ended 30 September 2015

**6 DIVIDENDS (continued)**

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

**7 SHARE CAPITAL**

The authorized, issued and paid up share capital is SR 1,530 million at 30 September 2015 consisting of 153 million shares (31 December 2014: SR 1,530 million consisting of 153 million shares) of SR 10 each.

**8 CAPITAL COMMITMENTS**

Management approved future capital expenditures amounting to SR 115.9 million (2014: SR 64.5 million).

**9 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.

**10 COMPARATIVE FIGURES**

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period.