

**HAIL CEMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2016**

**Hail Cement Company**  
**Saudi Joint Stock Company**  
**Notes to the financial statements**  
**For the year ended December 31, 2016**

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**AlKharashi & Co.**

Certified Accountants And Auditors

**REPORT OF INDEPENDENT AUDITOR**

January 10, 2017

To the **Shareholders**  
of Hail Cement Company  
(a Saudi Joint Stock Company)

**Scope of Audit:**

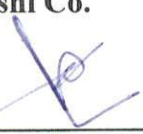
We have audited the accompanying Balance Sheet of **Hail Cement Company**, (a Saudi Joint Stock Company) as at 31 December **2016** and the related statements of Income, Cash flows and Changes in shareholders' equity for the year then ended, including the accompanying Notes from (1) to (22) which represent an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. We conducted our audit in accordance with Generally Accepted Auditing Standards, including audit of the accounting records and other procedures, which we deem as necessary to form a reasonable degree of conviction enabling us to express our opinion on the financial statements.

**Unqualified Opinion**

In our opinion, the financial statements as whole:

1. Present fairly, in all material respects, the financial position of the company as at 31, December **2016** 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 financial statements.

**Al-Kharashi Co.**

  
**Suliman A. ALKharashi**  
**C.A. License No. 91**



**HAIL CEMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**BALANCE SHEET**

		December 31,	
		2016	2015
		(SR)	(SR)
<u>ASSETS</u>			
<u>CURRENT ASSETS:</u>			
Cash and cash equivalents	4	120,705,690	159,731,897
Investments in equities portfolio	5	38,500,303	36,758,852
Accounts receivables and other debits	6	42,051,830	46,156,539
Inventories	7	197,099,322	119,459,144
<b>TOTAL CURRENT ASSETS</b>		<b>398,357,145</b>	<b>362,106,432</b>
<u>NON CURRENT ASSETS:</u>			
Property, plant and equipment	8	972,101,581	1,018,207,711
Deferred expenses		202,350	295,614
<b>TOTAL NON CURRENT ASSETS</b>		<b>972,303,931</b>	<b>1,018,503,325</b>
<b>TOTAL ASSETS</b>		<b>1,370,661,076</b>	<b>1,380,609,757</b>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
<u>CURRENT LIABILITIES:</u>			
Accounts payables and accruals	9	47,500,159	50,265,096
Provision for zakat	10	8,585,403	6,935,600
Current portion of term loan	11	19,916,667	15,916,667
<b>TOTAL CURRENT LIABILITES</b>		<b>76,002,229</b>	<b>73,117,363</b>
<u>NON-CURRENT LIABILITIES:</u>			
Employees' terminal benefits	12	6,020,233	4,317,125
Non current portion of term loan	11	227,350,106	247,256,313
<b>TOTAL NON-CURRENT LIABILITES</b>		<b>233,370,339</b>	<b>251,573,438</b>
<b>TOTAL LIABILITIES</b>		<b>309,372,568</b>	<b>324,690,801</b>
<u>SHAREHOLDERS EQUITY:</u>			
Share capital	13	979,000,000	979,000,000
Statutory reserve		34,786,523	24,334,896
Retained earnings		47,501,985	52,584,060
<b>TOTAL SHAREHOLDERS EQUITY</b>		<b>1,061,288,508</b>	<b>1,055,918,956</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>		<b>1,370,661,076</b>	<b>1,380,609,757</b>



The accompanying notes from 1 to 22 are an integral part of these financial statements.



**HAIL CEMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF INCOME**

	NOTES	For the year ended in December	
		31,	
		2016	2015
		(SR)	(SR)
Sales		272,118,771	356,362,716
Cost of sales		(132,450,332)	(192,087,427)
Gross Profit		139,668,439	164,275,289
<b>EXPENSES</b>			
Selling and distribution expenses		(4,331,076)	(3,716,744)
General and administrative expenses	14	(28,463,506)	(29,444,455)
Income from operations		106,873,857	131,114,090
<b>OTHER INCOME (LOSS):</b>			
Income from murabaha deposits		4,053,271	913,874
Other income / (expenses)		433,096	1,914,845
Unrealized investment gain (loss)	5	1,741,451	(13,222,611)
Income before Zakat		113,101,675	120,720,198
Zakat	10	(8,585,403)	(7,173,909)
Net Income for the Year		<b>104,516,272</b>	<b>113,546,289</b>
<b>Earnings per share :</b>	15		
Attributable to income from operations for the year		1.09	1.34
Attributable to net income for the year		1.07	1.16
Weighted average number of outstanding shares		97,900,000	97,900,000



The accompanying notes from 1 to 22 are an integral part of these financial statements.

**HAIL CEMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**CASH FLOW STATEMENT**

	For the year ended in December 31,	
	2016	2015
	(SR)	(SR)
<b><u>Cash flows from operating activities:</u></b>		
Income before zakat	113,101,675	120,720,198
<b>Adjustments for :</b>		
Depreciation	62,778,258	61,361,900
Employees' terminal benefits	2,045,073	1,911,445
Amortization	2,187,057	2,442,843
Unrealized investment (gain) loss	(1,741,451)	13,222,611
<b>Changes in working capital:</b>		
Accounts receivables and other debits	4,104,709	1,395,415
Inventories	(77,640,178)	(27,537,017)
Accounts payables and accruals	(2,764,937)	(5,119,315)
Employees' terminal benefits paid	(341,965)	(239,666)
Cash generated from operations	101,728,241	168,158,414
Zakat paid	(8,182,320)	(7,738,309)
Net cash generated from operating activities	93,545,921	160,420,105
<b>Investing Activities:</b>		
Investments in equities portfolio	-	(49,981,463)
Strategic spare parts	(2,082,865)	-
Purchase of fixed assets	(14,589,263)	(14,662,127)
Net cash used in investing activities	(16,672,128)	(64,643,590)
<b>Financing Activities:</b>		
Proceeds from term loan	-	-
Repayment of the term loan	(18,000,000)	(13,000,000)
Dividend paid	(97,900,000)	(117,480,000)
Net cash used in financing activities	(115,900,000)	(130,480,000)
Net change in cash and cash equivalents	(39,026,207)	(34,703,485)
Cash and cash equivalent at beginning of year	159,731,897	194,435,382
Cash and cash equivalents at the end of the year	<b>120,705,690</b>	<b>159,731,897</b>



The accompanying notes from 1 to 22 are an integral part of these financial statements.

**HAIL CEMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Share capital	Statutory Reserve	Retained Earnings	Total
	(SR)	(SR)	(SR)	(SR)
Balance at 1 January 2015	979,000,000	12,980,267	67,872,400	1,059,852,667
Net income for the year	-	-	113,546,289	113,546,289
Transfer to statutory reserve	-	11,354,629	(11,354,629)	-
Dividend paid	-	-	(117,480,000)	(117,480,000)
Balance at 31 December 2015	<b>979,000,000</b>	<b>24,334,896</b>	<b>52,584,060</b>	<b>1,055,918,956</b>
Last year adjustment	-	-	(1,246,720)	(1,246,720)
Net income for the year	-	-	104,516,272	104,516,272
Transfer to statutory reserve	-	10,451,627	(10,451,627)	-
Dividend paid	-	-	(97,900,000)	(97,900,000)
Balance at 31 December 2016	<b>979,000,000</b>	<b>34,786,523</b>	<b>47,501,985</b>	<b>1,061,288,508</b>



The accompanying notes from 1 to 22 are an integral part of these financial statements.



**1. ACTIVITIES:**

Hail Cement Company (the "Company") is a Saudi Joint Stock Company, registered in Hail, Kingdom of Saudi Arabia. The Company has obtained an Industrial Investment License No. 141931098717 dated 16 Ramadan 1431H (corresponding to August 26, 2010) from the Saudi Arabian General Investment Authority. The Company is registered under commercial registration No. 3350026399 dated 24<sup>th</sup> Dhu Al-Hijjah 1431H (corresponding to November 30, 2010) pursuant to the Ministerial Resolution No. 384/G dated 24<sup>th</sup> Dhu Al-Hijjah 1431H (corresponding to November 30, 2010) from the Ministry of Commerce and Industry. The Company is engaged in the production and distribution of all types of cements and trading in cement and building materials and their derivatives inside and outside the Kingdom of Saudi Arabia and the Company has the right to engage in all types of real estate contracts which it may need to achieve its objectives.

**2. BASIS OF PRESENTATION:**

The Company's financial year starts at the beginning of January and ends by the end of December each year.

**3. SIGNIFICANT ACCOUNTING POLICIES:**

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 are in conformity with generally accepted accounting principles which requires the use of estimates and assumptions that effects 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 period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

**Cash and cash equivalents:**

For the purposes of the statement of cash flows, cash and cash equivalents consist of bank balances, cash on hand, and Murabaha deposits that have a maturity of three months or less when purchased.



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Investment in equities portfolios:**

Investment in equities portfolios are recognized as current assets and are revalued at the period end and the unrealized gains and losses are recorded in the profit and loss account.

**Accounts receivable:**

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the amount is no longer probable. 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, consumables and spares parts. | Purchase cost on a weighted average basis.                                                           |
| • Work in progress and finished goods.         | Cost of direct materials and labour plus attributable overheads based on a normal level of activity. |

**Property, plant and equipment/depreciation:**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value of property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets that estimated as follows:

Assets	Production Age (years)
Buildings	30
Machinery and Equipment	5 - 20
Computer and Office Equipment	2
Computer Software	5
Motor Vehicles	5 – 10
Leasehold Improvements	5 years or lease period whichever is shorter
Furniture and Fixtures	5

The carrying values of property, plant and equipment 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.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

Leasehold improvements are amortised on a straight-line basis over the shorter of the useful life of the improvements, or the term of the lease.

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

**Other intangible assets/amortisation:**

Costs which have a long term future benefits are treated as other intangible assets and are amortised over the estimated period of benefit.

The carrying values of other intangible 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 their value in use. The excess of carrying value over the estimated recoverable amount is charged to the statement of income.

**Impairment and un-collectability of financial assets:**

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the statement of income. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of income.
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

There is no un-collectability issues related to the financial assets as at the balance sheet date.

**Financing costs:**

Financing costs that are directly attributable to the construction of an asset are capitalized up to a 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.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**Accounts payable and accruals:**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

**Provisions:**

Provisions are recognized 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 may be measured reliably.

**Loans and borrowings:**

Loans and borrowings are recognized at the proceeds received value by the Company.

**Zakat:**

Zakat is provided for in accordance with the Saudi Arabian fiscal regulations. The provision is charged to the statement of income.

**Employees' terminal benefits:**

Provision is made for amounts payable under the Saudi Arabian labor law applicable to employees' accumulated periods of service at the balance sheet date.

**Statutory reserve:**

As required by Saudi Arabian Regulations for Companies, 10% of the income for the year after deducting brought forward losses has been transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve is 30% of the capital. The reserve is not available for distribution.

**Revenues:**

Revenue represents the invoiced value of goods supplied by the Company during the year. Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

**Income from Murabaha deposits:**

Income from murabaha deposits is recognized when earned.

**Expenses:**

Production costs, direct and indirect expenses, attributable to production are classified at cost of sales. All other expenses are classified as general and administration, selling and distribution expenses or other expenses, as appropriate.



**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**Foreign currencies transactions:**

Transactions in foreign currencies are recorded in Saudi Riyals at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Gains and losses from settlement and translation of foreign currencies transactions are included in the statement of income.

**Operating lease:**

Operating lease payments are recognised as an expense in the statement of income on a straight line basis over the lease term.

**Segment 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 geographic segment), which is subject to risks and rewards that are different from those of other segments.



**4. CASH AND CASH EQUIVALENTS**

	As of December 31,	
	2016	2015
	(SR)	(SR)
Bank balances	60,705,690	32,731,897
Murabaha deposits	60,000,000	127,000,000
	<u>120,705,690</u>	<u>159,731,897</u>

**5. INVESTMENT IN EQUITIES PORTFOLIOS**

This represents investment placements in Saudi equities discretionary portfolio with Al-Rajhi Capital under portfolio no: DMP 023. Initial placement is at SR 50 million, after deducted finance cost and unrealized evaluation loss the balance will be SR 38,500,303 (December 2015 : SR 36,758,852).

**Hail Cement Company**  
**Saudi Joint Stock Company**  
**Notes to financial statements**  
**For the year ended 31, December 2016**

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**6. ACCOUNTS RECEIVABLES AND OTHER DEBITS:**

	As of December 31,	
	2016	2015
	(SR)	(SR)
Trade accounts receivable	27,692,405	32,430,729
Advances to suppliers and contractors	12,195,992	12,167,537
Prepaid expenses	435,379	445,783
Other receivables	1,728,054	1,112,490
	<b>42,051,830</b>	<b>46,156,539</b>

As at 31 December, the ageing of unimpaired trade accounts receivables is as the follows:

Year	Total	less than 30 days	from 31 to 60 days	from 61 to 90 days	91 days and above
	(SR)	(SR)	(SR)	(SR)	(SR)
<b>2016</b>	27,692,405	1,356,287	8,101,119	10,915,987	7,319,012
<b>2015</b>	32,430,729	11,980,352	12,968,452	5,338,046	2,143,879

**Hail Cement Company**  
**Saudi Joint Stock Company**  
**Notes to financial statements**  
**For the year ended 31, December 2016**

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**7. INVENTORIES :**

	As of December 31,	
	2016	2015
	(SR)	(SR)
Raw materials	13,833,724	11,510,791
Work in progress	118,469,038	62,696,843
Finished product	3,018,903	2,420,785
Consumables and spare parts	61,777,657	42,830,725
	<b><u>197,099,322</u></b>	<b><u>119,459,144</u></b>

**8. PROPERTY, PLANT AND EQUIPMENTS:**

	As of December 31,	
	2016	2015
	(SR)	(SR)
Property, plant and equipment	963,886,450	1,012,075,445
Strategic spare parts	8,215,131	6,132,266
	<b><u>972,101,581</u></b>	<b><u>1,018,207,711</u></b>

**Hail Cement Company**  
**Saudi Joint Stock Company**  
**Notes to financial statements**  
**For the year ended 31, December 2016**

**8.1. PROPERTY, PLANT AND EQUIPMENTS**

	Capital WIP	Land	Buildings	Machinery and Equipment	Computer and Office Equipment	Computer Software	Motor Vehicles	Lease hold Improvements	Furniture and Fixtures	TOTAL
	(SR)	(SR)	(SR)	(SR)	(SR)	(SR)	(SR)	(SR)	(SR)	(SR)
The estimated useful lives	-	-	30 years	5 : 20 years	2 years	5 years	5 : 10 years	5 years or lease period whichever is shorter	5 years	
<b>Cost :</b>										
At the beginning of the year	-	6,848,271	181,190,951	959,032,427	4,659,257	5,116,424	6,895,197	442,097	16,814,538	1,180,999,162
Addition	881,081	-	451,535	8,409,877	652,010	65,944	3,071,100	4,000	1,053,716	14,589,263
At the end of the year	881,081	6,848,271	181,642,486	967,442,304	5,311,267	5,182,368	9,966,297	446,097	17,868,254	1,195,588,425
<b>Depreciation :</b>										
At the beginning of the year	-	-	15,660,238	137,971,181	2,549,977	2,381,216	1,689,896	421,947	8,249,262	168,923,717
Charge for the year	-	-	6,050,900	50,766,377	527,725	1,027,833	1,106,973	20,147	3,278,303	62,778,258
At the end of the year	-	-	21,711,138	188,737,558	3,077,702	3,409,049	2,796,869	442,094	11,527,565	231,701,975
<b>Net book amount :</b>										
At 31 December 2016	881,081	6,848,271	159,931,348	778,704,746	2,233,565	1,773,319	7,169,428	4,003	6,340,689	963,886,450
At 31 December 2015	-	6,848,271	165,530,713	821,061,246	2,109,280	2,735,208	5,205,301	20,150	8,565,276	1,012,075,445

- a) The commercial operation of the cement factory started in the second quarter of 2013 and accordingly all such costs related to the construction of the cement factory was capitalized during the quarter ended june 30,2013.
- b) The land on which buildings are constructed have been leased from the Ministry of petroleum and Minerals for a period of 30 years. The mining licence from the ministry of petroleum and Minerals confers the exclusive right to produce and exploit specified minerals in the licensed area. The total area is 46.4 sq.km. The rent is SR10,000 per square kilometer per annum amounting to total of SR 470,000 per year and is benig paid starting the date of the order issued by the Ministry.
- c) Factory buldings and machinary and equipment are mortgaged to the Saudi Industrial Devlopment Fund (SIDF) as security against the term loan . (Note 11)



**Hail Cement Company**  
**Saudi Joint Stock Company**  
**Notes to financial statements**  
**For the year ended 31, December 2016**

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**9. ACCOUNTS PAYABLE AND ACCRUALS :**

	As of December 31,	
	2016	2015
	(SR)	(SR)
Accounts payable	25,013,749	28,102,979
Accrued expenses	18,978,609	19,874,205
Advances from customers	3,315,478	2,175,309
Dividend payable	192,323	112,603
	<u><b>47,500,159</b></u>	<u><b>50,265,096</b></u>

**Hail Cement Company**  
**Saudi Joint Stock Company**  
**Notes to financial statements**  
**For the year ended 31, December 2016**

**10. ZAKAT :**

	For the year ended December 31,	
	2016	2015
	(SR)	(SR)
<b>Zakat calculation :</b>		
Net income and adjusted by :	113,101,675	120,720,198
Adjustments	(64,649,836)	(101,154,729)
Adjusted net (loss) profit	48,451,839	19,565,469
Added items	1,271,405,402	1,276,190,216
Deducted items	(976,379,077)	(968,462,885)
Zakat base	343,478,164	327,292,800
Saudi and gulf shareholders share 99.74%	342,592,032	-
Accrued zakat	<b>8,564,801</b>	<b>8,182,320</b>
<b>Tax calculation :</b>		
Foreigners shareholders share 0.41%	125,000	-
Less: used from provisions	(21,992)	-
Adjusted net (loss) for Tax	103,008	-
Tax	20,602	-
Total Tax and Zakat	<b>8,585,403</b>	<b>8,182,320</b>

**The movment for Zakat provision is as follows :**

	As of December 31,	
	2016	2015
	(SR)	(SR)
As at the beginning of the year	6,935,600	7,500,000
Deduct : Zakat paid during the year	(8,182,320)	(7,738,309)
Adjustment on Zakat provision	1,246,720	-
Accrued zakat for the year	8,585,403	7,173,909
As at the end of the year	<b>8,585,403</b>	<b>6,935,600</b>

**Zakat assessments:**

The General Authority for Zakat and Tax ( GAZT ) has issued the zakat assessments till 2011.

The zakat assessment for 2012 has been issued by the GAZT as well and requested from the company to settle additional zakat for SR 405,562 against which The company has fied an appeal with the GAZT.

The zakat declaration for the years 2013 - 2015 have been submitted to the GAZT and zakat is paid as per such declaration . The assessment for such period are not issued by GAZT yet.

## 11. LOAN FACILITIES

On 28 Muharram 1434H corresponding to 12 December 2013, the Company has signed a loan agreement with Saudi Industrial Development Fund (SIDF) under number 2389 for an amount of SR 300 million. The loan is secured by mortgaging the factory building, machinery and equipment built on the leased land from the Ministry of Petroleum and Mineral including all additions and expansions. The loan is payable in semi-annual installments commencing on 8 December 2014, and ends on 25 February 2024. As at 31 December 2014, the full loan amount of SR 300 million has been utilized. As at the current period end, the company has repaid five installments of the loan amounting in aggregate to SR 36 million.

Deferred charges represent fees and charges for obtaining the above loan from SIDF. Deferred charges related to the loan are amortized over the life of the loan.

	As of December 31,	
	2016	2015
	(SR)	(SR)
Current portion of term loan	22,000,000	18,000,000
Less: current portion of deferred charges	(2,083,333)	(2,083,333)
	<u>19,916,667</u>	<u>15,916,667</u>
Non current portion of term loan	242,000,000	264,000,000
Less: Non -current portion of deferred charges	(14,649,894)	(16,743,687)
	<u><b>227,350,106</b></u>	<u><b>247,256,313</b></u>

In additions, the Company has credit facilities from a local bank to meet capital and operating expenditures. The total approved facilities are SR 50 million . The credit facilities carry a special commission rate of certain percent added to SIBOR . The Company has utilized these facilities to issue letters of credit to different suppliers and contractors and letters of guarantees to the Customs Department for customs

**Hail Cement Company**  
**Saudi Joint Stock Company**  
**Notes to financial statements**  
**For the year ended 31, December 2016**

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**12. EMPLOYEES' TERMINAL BENEFIT**

	As of December 31,	
	2016	2015
	(SR)	(SR)
At the beginning of the year	4,317,125	2,645,346
Charge for the year	2,045,073	1,911,445
Payments during the year	(341,965)	(239,666)
At the end of the year	<u><u>6,020,233</u></u>	<u><u>4,317,125</u></u>

**13. SHARE CAPITAL**

The authorised issued and paid up share capital consist of **97.9** million share of SR **10** each .



**Hail Cement Company**  
**Saudi Joint Stock Company**  
**Notes to financial statements**  
**For the year ended 31, December 2016**

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**14. GENERAL AND ADMINISTRATION EXPENSES:**

	For the year ended December 31,	
	2016	2015
	(SR)	(SR)
Employees salary and other benefits	16,232,701	16,562,030
Finance cost	3,966,120	3,458,158
Repairs and maintenance	541,198	210,949
Depreciation	2,291,456	2,512,840
Amortization of deferred charges	2,195,113	2,221,686
Stationary and printing	65,876	206,249
Telephone , internet and couriers	224,106	402,249
Travel and hotels expenses	838,842	755,945
Recruitment expenses	96,896	241,732
Donation	50,000	848,000
Legal and Professional fees	1,709,436	1,837,705
Rent	239,512	183,786
Others	12,250	3,126
	<u>28,463,506</u>	<u>29,444,455</u>

**15. EARNING PER SHARE:**

Earnings per share for the year ended December 31, 2016 & 2015 is calculated by dividing the income from main operations and net income for the period by the weighted average number of ordinary outstanding shares of **97,900,000**.

**16. CONTINGENT LIABILITIES:**

The Company's banker has issued letters of credit amounting to SR 7.11 million (2015 : SR 17.82 million) in favour of Company's various suppliers and contractors and has issued letters of guarantee amounting to SR 1.02 million (2015 : SR 0.74 million) in favour of Customs Department for custom duties.

**17. SEGMENTAL INFORMATION:**

The Company is engaged in the production and sale of cement and there are no other activities. The Company's operations are solely in the Kingdom of Saudi Arabia.

**18. RISK MANAGEMENT:**

**Special 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 special commission risk on its special commission bearing assets, including Murabaha deposits and credit facilities.

**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 that bank facilities are available. The Company's terms of sales require amounts to be paid within a period balanced with payable are normally settled date of purchase.

**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 banks by only dealing with reputable banks and with respect to customers by settling credit limits for individual customers, obtaining bank guarantees from selected customers, monitoring outstanding receivables and ensuring close follow-ups.

**Currency risk**

Currency risk is 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 did not undertake significant transactions in currencies other than Saudi Riyal, US Dollar and Euro during the year.

**19. FAIR VALUES OF FINANCIAL INSTRUMENTS:**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash and cash equivalents and accounts receivables. Its financial liabilities consist of accounts payable and term loan.

**20. DIVIDENDS:**

According to the General Assembly Meeting held on the 21<sup>st</sup> of Jumada Althany 1437H (corresponding to the 30<sup>th</sup> of March 2016), the assembly has approved the distribution of dividend for the second half of the year 2015 amounting to SR **48,950,000** representing 5% of the share value (SR 0.5 per share) was distributed during April 2016 , In addition the board of directors decided dividend for first half of the year 2016 amounting to SR **48,950,000** representing 5% of the share value (SR 0.5 per share) was distributed during September 2016 .

**21. COMPARATIVE FIGURES:**

Comparative figures have been reclassified / regrouped, wherever necessary, to conform to the presentation adopted in the current year.

**22. APPROVAL OF THE FINANCIAL STATEMENTS:**

The financial statements were approved by the Board of Directors on the Rabia'II 17, 1438H (corresponding to the January 15,2017).