Annual Report
2010

أسمنت القصيم
Qassim Cement

أسمنت القصيم
Qassim Cement

QASSIM CEMENT COMPANY

(Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

as at December 31, 2010

with

INDEPENDENT AUDITORS' REPORT

KPMG

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INDEPENDENT AUDITOR'S REPORT

To: **The Shareholders**
Qassim Cement Company – Saudi Joint Stock Company
Qassim, Saudi Arabia

We have audited the accompanying consolidated financial statements of **Qassim Cement Company - Saudi Joint Stock Company** (the Company) which comprise the consolidated balance sheet at December 31, 2010, and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes from (1) through (28) which form an integral part of these consolidated financial statements.

Management's responsibility
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia in compliance with Article 123 of the Regulations for Companies and the Company's Articles of Association. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Management has provided us with all the information and explanations that we require relating to our audit of these consolidated financial statements.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Opinion

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

1) Present fairly, in all material respects, the consolidated financial position of the company as at December 31, 2010 and the consolidated results of its operations, cash flows, and changes in equity for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company;

2) Comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of the consolidated financial statements.

كي. بي. إم. جي الفوزان والسدحان
محاسبون ومراجعون قانونيون
C.R 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Al Sadhan

Tarek Abdul Rahman Al Sadhan
Licence No. 352

Riyadh on: 20 Rabie I 1432H.
Corresponding to: 23 February 2011.

QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
CONSOLIDATED BALANCE SHEET
As At December 31, 2010
(Saudi Riyals)

	Notes	2010	2009
ASSETS			
Current assets:			
Cash and cash equivalents	(4)	**19,717,605**	15,595,454
Murabha term deposits		**-**	157,000,000
Trading investments	(5)	**468,579,796**	461,987,968
Accounts receivables, net	(6)	**50,728,168**	46,002,634
Prepayments and other debit balances, net	(7)	**9,578,960**	7,783,108
Inventories, net	(8)	**186,635,430**	193,606,519
Assets available for sale		**6,350,000**	--
Total current assets		**741,589,959**	881,975,683
Non-current assets:			
Property, plant and equipments, net	(9)	**1,222,589,445**	1,247,489,892
Capital work in progress	(10)	**22,953,521**	69,464,660
Deferred expenses, net	(11)	**35,871,839**	45,417,454
Total non-current assets		**1,281,414,805**	1,362,372,006
Total assets		**2,023,004,764**	2,244,347,689
LIABILITIES AND EQUITY			
Current liabilities:			
Trade payables		**12,196,335**	11,633,700
Current portion of long term loans	(12)	**-**	55,000,000
Accrued expenses and other current balances	(13)	**82,483,781**	132,311,106
Dividends		**32,695,875**	32,943,117
Zakat Provision	(14)	**20,752,889**	20,931,919
Total current liabilities		**148,128,880**	252,819,842
Non-current liabilities:			
Long term loans	(12)	**-**	144,500,000
Employees' end of service benefits	(15)	**20,269,662**	18,919,644
Total non-current liabilities		**20,269,662**	163,419,644
Total liabilities		**168,398,542**	416,239,486
EQUITY			
Shareholders' equity:			
Capital	(1)	**900,000,000**	900,000,000
Statutory reserve	(16)	**135,256,410**	85,200,428
General reserve	(17)	**376,016,157**	376,016,157
Retained earnings		**444,584,010**	467,980,168
Total Shareholders' equity		**1,855,856,577**	1,829,196,753
Minority interests		**(1,250,355)**	(1,088,550)
Total equity		**1,854,606,222**	1,828,108,203
Total liabilities and equity		**2,023,004,764**	2,244,347,689

The accompanying notes (1) through (28) form an integral part of these consolidated financial statements.

QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2010
(Saudi Riyals)

	Notes	2010	2009
Sales		**968,425,969**	986,556,854
Cost of sales		**(411,665,562)**	(417,323,922)
Gross profit		**556,760,407**	569,232,932
Selling and marketing expenses	(18)	**(6,797,350)**	(6,099,418)
General and administrative expenses	(19)	**(31,353,534)**	(28,380,113)
Net income from main operations		**518,609,523**	534,753,401
Other income	(20)	**12,126,155**	98,725,541
Other expenses	(21)	**(7,862,266)**	(9,652,379)
Other income and expenses		**4,263,889**	89,073,162
Net income for the year before Zakat and minority interests		**522,873,412**	623,826,563
Zakat expense	(14)	**(22,475,393)**	(22,232,480)
Net income before minority interest		**500,398,019**	601,594,083
Share of minority interests in the net loss of a subsidiary		**161,805**	410,195
Net income for the year		**500,559,824**	602,004,278
Earning per share from main operations	(22)	**5.76**	5.94
Earning per share from other income and expenses	(22)	**0.05**	0.99
Earning per share from net income for the year	(22)	**5.56**	6.69

The accompanying notes (1) through (28) form an integral part of these consolidated financial statements.

QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2010
(Saudi Riyals)

	Notes	2010	2009
Cash flows from operating activities:			
Net income for the year		**500,559,824**	602,004,278
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	(9)	**88,455,537**	87,216,770
Amortization of deferred expenses	(11)	**9,545,615**	6,804,093
Provision of doubtful debts		-	320,000
Loss from sale of property, plant and equipments	(21)	**1,050,506**	67,620
Unrealized gain of trading investments	(20)	**(4,308,860)**	(2,852,406)
Provision of debit balances		-	420,000
Provision for slow moving and obsolete inventory items		**630,381**	12,568,189
Zakat provision	(14)	**22,475,393**	22,232,480
Employees' end of service benefits provision		**4,642,648**	3,060,699
Share of minority interests in the net loss of a subsidiary		**(161,805)**	(410,195)
		622,889,239	731,431,528
Changes in operating assets and liabilities:			
Accounts receivables		**(4,725,534)**	5,596,140
Prepayments and other debit balances		**(1,795,852)**	18,488,471
Inventories		**6,340,708**	665,422
Accounts payables		**562,635**	(17,817,470)
Accrued expenses and other credit balances		**(49,827,325)**	(76,382,055)
Employees' end of service benefits paid		**(3,292,630)**	(2,528,698)
Zakat paid	(14)	**(22,654,423)**	(16,089,605)
Net cash provided by operating activities		**547,496,818**	643,363,733
Cash flows from investing activities:			
Murabha term deposits		**157,000,000**	126,544,412
Trading investments	(5)	**(2,282,968)**	(451,380,185)
Purchase of property, plant and equipments		**(17,517,494)**	(45,805,180)
Capital work in progress	(10)	**(7,502,963)**	(53,236,401)
Deferred expenses	(11)	-	(340,943)
Proceeds from sale of property, plant and equipments		**576,000**	110,500
Net cash provided by (used in) investing activities		**130,272,575**	(424,107,797)
Cash flows from financing activities:			
long term loans	(12)	**(199,500,000)**	(44,000,000)
Dividends paid	(24)	**(472,747,242)**	(494,559,268)
Board of directors remuneration paid		**(1,400,000)**	(1,380,000)
Net cash used in financing activities		**(673,647,242)**	(539,939,268)
		4,122,151	(320,683,332)
Net change in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		**15,595,454**	336,278,786
Cash and cash equivalents at the end of the year		**19,717,605**	15,595,454

The accompanying notes (1) through (28) form an integral part of these consolidated financial statements

QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2010
(Saudi Riyals)

	Notes	Capital	Statutory Reserve	General Reserve	Retained Earnings	Total shareholders equity	Minority interest	Total Equity
Balance at January 1, 2009		450,000,000	225,000,000	375,996,157	672,576,318	1,723,572,475	(678,355)	1,722,894,120
Transferred to capital	(1)	450,000,000	(200,000,000)	--	(250,000,000)	--	--	--
Net income for the year		-	-	--	602,004,278	602,004,278	--	602,004,278
Transferred to statutory reserve		-	60,200,428	--	(60,200,428)	--	--	--
Dividends	(24)	-	-	--	(495,000,000)	(495,000,000)	--	(495,000,000)
Board of directors remuneration		-	-	--	(1,400,000)	(1,400,000)	--	(1,400,000)
Transferred from Board of directors remuneration		-	-	20,000	--	20,000	--	20,000
Share of minority interests in the net loss of a subsidiary		-		--	--	--	(410,195)	(410,195)
Balance at December 31, 2009		**900,000,000**	**85,200,428**	**376,016,157**	**467,980,168**	**1,829,196,753**	**(1,088,550)**	**1,828,108,203**
Net income for the year		-	-	--	500,559,824	500,559,824	--	500,559,824
Transferred to statutory reserve		-	50,055,982	--	(50,055,982)	--	--	--
Dividends	(24)	-	-	--	(472,500,000)	(472,500,000)	--	(472,500,000)
Board of directors remuneration		-	-	--	(1,400,000)	(1,400,000)	--	(1,400,000)
Share of minority interests in the net loss of a subsidiary		-		--	--	--	(161,805)	(161,805)
Balance at December 31, 2010		**900,000,000**	**135,256,410**	**376,016,157**	**444,584,010**	**1,855,856,577**	**(1,250,355)**	**1,854,606,222**

The accompanying notes (1) through (28) form an integral part of these consolidated financial statements

QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As At December 31, 2010

1. **Organization and activity:**

Qassim Cement Company, (the Company) is a Saudi Joint Stock company registered in Buraidah at Shaban 28, 1398H (corresponding to August 2, 1978), under Commercial Registration No. 1131001224, The company was established by the Royal Decree No. M/62 on Shaban 15, 1396H (corresponding to August 11, 1976G). The principal activities of the company are to manufacture and sale of cement and its related products and other related direct activities. The company's registered office and factory are located in Buraidah city, Qassim.

As per the resolution issued by the company's extraordinary general assembly that was held on Dhul Qeda 28, 1430H (corresponding to November 16, 2009) where it was agreed to increase the company's capital from SR. 450 million (equivalent to 45 million share) to SR. 900 million (equivalent to 90 million share) representing 100% increase through the use of SR. 200 million from statutory reserve and SR. 250 million from retained earnings. Such increase occurred by issuing one bonus share against every share , priority will be given to registered shareholders in company's records retained in Securities Data Centre at the end of transaction day where the meeting was held. The above mentioned bonus shares were added to the shareholders investment portfolio on Dhul Heja 24, 1430H (corresponding to November 21, 2009). The company's commercial registration was amended by this increase on Rabi I 21, 1431H (corresponding to March 7, 2010). The general assembly approved as well the amendment of the company's period to be 99 Gregorian years commencing from the date of Ministry of commerce resolution declaring the company's incorporation.

The accompanying consolidated financial statements include the activities of the company and its subsidiary (collectively referred to as the Group) of Cement industries limited Company, a limited liability company (the subsidiary) registered in Buraidah under commercial registration no. 1131024146 dated Rajab 22, 1428H (corresponding to August 6, 2007). The principal activities of the subsidiary are the production, wholesale and retail trading in ready mix concrete, gravel, block, tiles and cement products. The subsidiary's Partners decided on Ramadan 19, 1430H (corresponding to September 9, 2009) to increase its capital from SR. 500,000 to SR. 50 million through the credit balance of the company registered in the subsidiary's books and to change the ownership percentages of the partners as per the following:

The partners	share percentage	
	before increase	after increase
Qassim Cement Company	95%	99%
Mr. Abdullah bin Abdullatif Al Seif	5%	1%

The subsidiary's commercial registration was amended to include the capital increase on Ramadan 19, 1430H (corresponding to September 9, 2009).

losses carried forward of the subsidiary as of December 31, 2010 amounted to 47.7 million Saudi riyals (2009: 31.6 million Saudi riyals), which exceeded over 50% of its capital, the partners of the subsidiary decided in their meeting No. 4 / 2011 held on January 18, 2011 to continue the subsidiary in its operation and provide financial support to cover its losses carried forward.

2. **Basis of preparation:**

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA), under historical cost convention (except for trading investments that are stated by its fair value), using the accrual basis of accounting and the going concern concept, the consolidated financial statements are expressed in Saudi Riyals which is considered the functional currency.

QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As At December 31, 2010

2. **Basis of preparation (continued):**

The consolidated financial statements were approved by the Company's board of directors on Rabie I 9, 1432H (corresponding to February 22, 2011G). The company's financial year starts at 1st January and ends at 31 December in accordance to the company's articles of association.

The preparation of consolidated financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although the estimates and assumptions are based on historical events and other factors that are considered to be relevant, the actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

3. **Significant accounting policies:**

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements:

a) ***Basis of consolidation***

The accompanying consolidated financial statements include the financial statements of the company and its subsidiary set forth in Note (1) above which controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases and will not be included if the subsidiary was under re-structuring.

The financial statement of subsidiary prepared at the same year end date of the company and by relevant accounting policies applied.

For the purpose of preparing the consolidated financial statements, all intra-group balances and financial transactions resulting from transactions between the Company and the subsidiary are eliminated. Also, any unrealized gains or loses arising from intra-group transactions are eliminated.

b) ***Cash and cash equivalents***

Cash and cash equivalents represent cash in hand and at banks, short term Murabha deposits having maturity within three months or less from the date of acquisition.

c) ***Trading Investments***

Investment in securities which are purchased for trading purposes are initially recorded at cost and then re-measured and stated in the balance sheet at fair value and included under current assets. Both of unrealized gain and losses resulted from changes in its fair value (at Balance Sheet date) and realized gain and losses on sale of trade securities are to credited or charged to income statement. If the fair value of such investments is not determined, then the securities will be valued by cost.

d) ***Accounts receivables***

Accounts receivable are stated at estimated net realisable value less allowances for doubtful amounts. Allowance for doubtful accounts is calculated based on aging of account receivables and the Company previous experience in collecting receivables. Bad debts are written off as incurred.

QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As At December 31, 2010

3. Significant accounting policies (Continued):

e) *Inventories*

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Indirect constant expenses are distributed on the production normal capacity; cost of unutilized power is charged the statement of income for the current year.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion (if any) and selling expenses expected to be incurred to sell the inventory.

Provision is made for slow moving and obsolete inventory.

f) *Property, plant and equipment*

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset and other costs incurred in bringing them to their existing location and condition and to be available for use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the income statement when incurred.

Depreciation is charged on a straight-line basis over the estimated useful lives of property, plant and equipment as follows:

	years
Buildings	10 - 33
Machinery & Equipments	8 - 20
Motor vehicles	4 - 8
Furniture, fixtures and office equipments	3 - 10
Tools	10 - 13

g) *Impairment of assets*

Financial assets, property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

h) *Deferred charges*

Deferred charges recognized when it have the future economic benefits. Deferred charges are amortized using the straight-line method over 3 to 20 years in accordance to the expected useful life.

QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As At December 31, 2010

3. Significant accounting policies (Continued):

i) *Provision of Employees' end of service benefits*

Employees' end of service benefits, calculated in accordance with Saudi Arabia labour regulations, are accrued and charged to statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services are terminated at the balance sheet date.

j) *Provision for Zakat*

The Company and its subsidiary are subject to Zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). The Zakat provision charged to consolidated statement of income for the current year.

Any differences between the provision and the final levy are recorded and recognized in the Income Statement in the year of the final assessment date.

k) *Revenue recognition*

Revenue from sales is recognized upon delivery or shipment of products to customers, and is recorded net of returns, trade discounts and volume rebates. Other income is recorded when earned.

l) *Expenses*

Selling and marketing expenses are those arising from the Group's efforts underlying the marketing, selling and distribution functions. All other expenses, excluding operating expenses and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of sales and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

m) *Operating Lease*

Payments under operating leases are recognized in the statement of income on a straight-line basis over the term of the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

n) *Foreign currencies*

Transactions denominated in foreign currencies are translated to the functional currencies of the Company at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currencies of the Group at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognized in the consolidated statement of income currently.

o) *Provisions:*

A provision is recognised in the financial statements when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As At December 31, 2010
(Saudi Riyals)

3. Significant accounting policies (Continued):

p) *Financial instruments*

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at balance sheet date.

q) *dividends*

Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the year in which they are approved by the shareholders.

r) *Earning per share:*

Earning per share is determined for operating income, other income and expenses, and net profit for the year in accordance to weighted average number of ordinary shares outstanding during the year. comparative figures to be amended by bonus shares

4. CASH AND CASH EQUIVALENTS:

	2010	2009
Cash in hand	**2,300**	744,473
Cash at banks	**19,715,305**	14,850,981
	19,717,605	15,595,454

5. TRADING INVESTMENTS:

	2010	2009
Fair value at beginning of the year	**461,987,968**	7,755,377
Additional investments during the year	**2,282,968**	451,380,185
	464,270,936	459,135,562
Unrealized gain	**4,308,860**	2,852,406
Fair value at the end of the year	**468,579,796**	461,987,968

The investments are held either under Balanced Islamic funds and Traded Finance funds with local banks.

6. ACCOUNTS RECEIVABLES, NET:

	2010	2009
Accounts receivables	**51,048,168**	46,322,634
Provision for doubtful debts	**(320,000)**	(320,000)
	50,728,168	46,002,634

QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As At December 31, 2010
(Saudi Riyals)

7. PREPAYMENTS AND OTHER DEBIT BALANCES, NET:

	2010	2009
Prepayments	**4,981,284**	4,972,606
Advances to suppliers	**2,166,531**	447,647
Other receivables	**1,611,071**	825,093
Receivables from employees	**808,530**	824,374
Custom retentions	**610,650**	1,142,199
Accrued revenue	**-**	221,189
	10,178,066	8,433,108
Provision for debt balances	**(599,106)**	(650,000)
	9,578,960	7,783,108

8. INVENTORIES, NET

	2010	2009
Spare parts	**144,419,498**	141,327,093
Raw materials	**36,765,984**	37,940,762
Work in process	**14,060,880**	22,852,562
Packaging materials	**6,166,956**	1,962,792
Finished goods	**2,651,046**	3,432,722
Consumables	**542,541**	2,972,841
Goods in transit	**696,487**	2,997,098
	205,303,392	213,485,870
Provision of slow moving and obsolete inventory	**(18,667,962)**	(19,879,351)
	186,635,430	193,606,519

QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As At December 31, 2010
(Saudi Riyals)

9. **PROPERTY, PLANT AND EQUIPMENT, NET**

	2010							2009
	Land	**Buildings**	**Machinery & Equipments**	**Motor vehicles**	**Furniture & Fixtures**	**Tools**	**Total**	*Total*
Cost:								
Balance at beginning of the year	20,024,200	690,145,661	1,396,592,365	45,573,658	18,291,971	6,746,108	2,177,373,963	2,051,418,348
Additions	-	11,107,081	59,198,297	16,000	716,407	493,811	71,531,596	134,969,857
Disposals	-	-	(2,077,790)	(7,748,575)	(60,450)	(32,500)	(9,919,315)	(9,014,242)
Balance at end of the year	**20,024,200**	**701,252,742**	**1,453,712,872**	**37,841,083**	**18,947,928**	**7,207,419**	**2,238,986,244**	**2,177,373,963**
Accumulated depreciation:								
Balance at beginning of the year	-	274,716,363	623,655,246	16,331,675	13,371,616	1,809,171	929,884,071	851,206,839
Charge for the year	-	20,556,120	58,244,990	7,308,473	1,882,113	463,841	88,455,537	87,216,770
Disposals	-	-	(425,633)	(1,424,238)	(60,440)	(32,498)	(1,942,809)	(8,539,538)
Balance at end of the year	**-**	**295,272,483**	**681,474,603**	**22,215,910**	**15,193,289**	**2,240,514**	**1,016,396,799**	**929,884,071**
Net book value at								
December 31, 2010	**20,024,200**	**405,980,259**	**772,238,269**	**15,625,173**	**3,754,639**	**4,966,905**	**1,222,589,445**	
December 31, 2009	**20,024,200**	**415,429,298**	**772,937,119**	**29,241,983**	**4,920,355**	**4,936,937**		**1,247,489,892**

The Company's property, plant, and equipment situated in Buraidah equivalent to area of 28 kilo square meter are mortgaged to Saudi Industrial Development Fund (SIDF) as a security for long-term loans provided to the company to finance the third production line as disclosed in note no. (12). The loan fully settled during the year and the legal proceedings are currently in progress to release the mortgage of Company's property, plant and equipment from the Saudi Industrial Development Fund (SIDF).

QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As At December 31, 2010
(Saudi Riyals)

9. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED):

During the year 2009, the estimate of useful life of computers that were included to furniture, fixtures and office equipments were changed commencing from December, 2009 to 3 years instead of 6.6 years resulting in amending the depreciation expense for the year 2009 as follows:

Depreciation for the year before change of estimate	Depreciation for the year after change of estimate	The difference (the effect on net profit for the year)
87,472	1,038,152	950,680

Depreciation expense is charged as follows:

	2010	2009
Cost of sales	**76,113,335**	77,330,667
General and administrative expenses * (note 19)	**12,122,073**	9,646,852
Selling and marketing expenses (note 18)	**220,129**	239,251
	88,455,537	87,216,770

* This item includes the depreciation of unutilized production capacity of the subsidiary's plant and equipments.

10. CAPITAL WORK IN PROGRESS

	2010	2009
Balance at beginning of the year	**69,464,660**	108,520,979
Additions	**7,502,963**	53,236,401
Transferred to property, plant and equipment	**(54,014,102)**	(88,868,093)
Transferred to deferred expenses	**-**	(3,424,627)
	22,953,521	69,464,660

Capital work in progress comprises upgrading of some parts of the first and second production lines, anti-dusting project of second line has been capitalized during the year and expects completion of the remaining major projects during the first quarter of 2011.

11. DEFERRED EXPENSES, NET

	2010	2009
Balance at the beginning of the year	**45,417,454**	48,455,977
Additions	**-**	3,765,570
Amortization for the year	**(9,545,615)**	(6,804,093)
	35,871,839	45,417,454

Deferred charges represent mainly the cost of major overhauling the production lines and renovation expenses for the power station owned by Saudi Electricity Company that are used by the company in its operations.

QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As At December 31, 2010
(Saudi Riyals)

12. LONG TERM LOANS

On 3 Safar 1425H (corresponding to March 24, 2004G) the company obtained an interest free loan from the Saudi Industrial Development Fund under the agreement concluded with the Fund. The loan is secured by all company's property, plant, and equipment situated in Buraidah equivalent to an area of 28 kilo square meter with all machinery and equipment, transport, furniture and all facilities of the company in addition to all machinery, equipment and buildings project development and modernization related to the third production line.

According to the agreement, the latest installment of this loan is due on 15 Safar 1434H (corresponding to December 29, 2012), but the company has decided during the year to fully settle the remaining loan balance and the legal proceedings is currently in progress to release the mortgage by the Saudi Industrial Development Fund. The following is the movement of the loan during the year:

	2010	2009
Balance at beginning of the year	**199,500,000**	243,500,000
payments during the year	**(199,500,000)**	(44,000,000)
	--	199,500,000
Current portion of long term loans	--	(55,000,000)
	--	144,500,000

13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2010	2009
Accrued expenses	**66,701,372**	116,964,542
Retentions	**9,571,863**	10,940,655
Advances from customers	**6,103,121**	4,254,572
Others	**107,425**	151,337
	82,483,781	132,311,106

14. ZAKAT PROVISION

(a) The Company has obtained the Zakat final assessment from DZIT for all years until December 31, 2007. The company submitted its zakat return for the years 2008 and 2009.

(b) The movement of the provision is as follows:

	2010	2009
Balance at the beginning of the year	**20,931,919**	14,789,044
Charged during the year	**22,475,393**	22,232,480
Payments made during the year	**(22,654,423)**	(16,089,605)
Balance at the end of the year	**20,752,889**	20,931,919

QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As At December 31, 2010
(Saudi Riyals)

14. ZAKAT PROVISION (continued)

(c) Zakat were calculated for the company in accordance to its stand alone financial statements that were prepared for this purpose as per the unconsolidated accounts of the company, Zakat significant components include the following:

		2010	2009
Shareholders' equity		**1,829,196,753**	1,723,572,475
Net adjusted income	a	**464,312,334**	570,204,728
Additions		**67,410,490**	255,915,862
Deductions		**(1,478,425,357)**	(1,660,393,846)
Net Zakat base	b	**882,494,220**	889,299,219
Zakat base, the higher of (a and b)		**882,494,220**	889,299,219
Zakat for the year		**22,062,356**	22,232,480

15. EMPLOYEES' END OF SERVICE PROVISION:

	2010	2009
Balance at beginning of the year	**18,919,644**	18,387,643
Charge during the year	**4,642,648**	3,060,699
Payments made during the year	**(3,292,630)**	(2,528,698)
Balance at end of the year	**20,269,662**	18,919,644

16. STATUTORY RESERVE:

In accordance with the Regulations of Companies in Saudi Arabia, the Company is required to transfer 10% of the annual net income to statutory reserve, the general assembly has its right to stop such transfer any amounts in case of exceeding 50% of the paid capital. This reserve is not available for distribution on shareholders and could be utilized to cover any losses generated by the company or to increase its capital after obtaining the approval of the shareholders' general assembly.

17. GENERAL RESERVE:

The shareholders have established a general reserve by appropriation from retained earnings as per the approval of the shareholders' general assembly. Board of directors' remunerations not attended by the board are transferred to the general reserve.

18. SELLING AND MARKETING EXPENSES

	2010	2009
Salaries and other employees' benefits	**5,085,974**	3,971,680
Maintenance and fuel	**237,125**	70,445
Depreciation	**220,129**	239,251
Advertising, publicity and public relations	**198,174**	536,980
Office equipments and printings	**178,196**	64,225
Communications	**65,718**	57,054
Others	**812,034**	1,159,783
	6,797,350	6,099,418

QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As At December 31, 2010
(Saudi Riyals)

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2010	2009
Salaries and other employees' benefits	**11,381,798**	8,959,251
Depreciation	**12,122,073**	9,646,852
Administrative and financial consultations	**2,732,221**	464,289
Donations	**1,024,318**	4,302,400
Hospitality and public relations	**704,786**	383,776
Board of directors meetings allowance	**428,659**	598,022
Maintenance, fuel and electricity	**201,546**	122,757
Printing, advertisings and publications	**152,706**	371,159
Communications and postage	**52,882**	84,417
Others	**2,552,545**	3,447,190
	31,353,534	28,380,113

20. OTHER INCOME

	2010	2009
Unrealized gain from trading investments	**4,308,860**	2,852,406
Gain from foreign exchange rates	**499,083**	-
Murabaha revenues	**285,685**	6,461,024
Gain from disposal of property, plant, and equipments	**-**	12,998
Others	**7,032,527**	89,399,113
	12,126,155	98,725,541

Other income for the year 2010 includes SR 4,083,738 which represents adjustments to estimates performed during previous year. And for the year 2009 includes an amount of SR. 82,552,095 representing income resulting from fines and reimbursements gained from the suppliers and contractors against the delayed implementation of the third production line in accordance to the settlement agreement dated Shawwal 21, 1430H corresponding to October 10, 2009G.

21. OTHER EXPENSES

	2010	2009
Financial charges	**6,733,760**	3,074,779
Loss from disposal of property, plant and equipments	**1,050,506**	80,618
Loss from foreign exchange rates	**-**	4,150,150
Others	**78,000**	2,346,832
	7,862,266	9,652,379

22. EARNINGS PER SHARE

The earnings per share from the net profit for the year, earning per share from other income and expenses and earning per share from main operations was calculated by the weighted-average number of ordinary shares outstanding during the year amounting to 90 million shares (2009 : 90 million shares).

QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As At December 31, 2010
(Saudi Riyals)

23. THE CONSOLIDATION OF THE SUBSIDIARY

The accompanying consolidated financial statements of the company include the financial statements of the company and Cement Industries Co. Ltd. (a subsidiary) with a total investment of 99% (2009: 99%) after the elimination of intra-group balances and financial transactions between the company and its subsidiary. The following is the summary of the financial position and the results of operations of the subsidiary for the year ended December 31, 2010:

Total Assets	Total Liabilities	Sales	Gross Profit	Net losses
73,152,345	70,895,083	34,548,710	554,445	16,018,683

24. DIVIDENDS

The company has distributed a dividend of SR 270 million during the year in accordance to the dividend approved by the ordinary General Assembly held on 8 Rabi II 1431H (corresponding to March 24, 2010) for the income of second half of 2009 equivalent to SR 3 per share (2009:SR.225 million for the income of second half of 2008 equivalent to SR. 5 per share).

The board of directors of the company during their meeting dated 11 Rajab 1431H (corresponding to June 23, 2010) and in accordance to his recommendation to shareholders' general assembly has approved an interim dividend amounting to SR 202.5 million for the income of the first half of 2010 equivalent to SR 2.25 per share (2009: SR 270 million for the income of first half of 2009).

25. CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

The Capital Commitment amounted to SR10.5 million out of total capital work amounted SR. 62.3 million (2009:SR.58 million out of total capital work amounted SR. 1.14 million) against the upgrading of the first and second production lines (note 10).

Contingent liabilities on the company amounts to SR. 10 million (2009:SR. 10.1 million) that comprise of uncovered bank guarantees issued by the company regarding custom sponsorship and supplier guarantees.

26. SEGMENT REPORTS

As indicated in note (1) The company is engaged in the production of cement in different forms and there is no another activity other than that, the company operates its mainly activities in Buraidah city in the Kingdom of Saudi Arabia, moreover, the operation of the subsidiary represent in the production of ready-mixed concrete only. The subsidiary operates its mainly activities in Buraydah and Hail city in the Kingdom of Saudi Arabia.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The company's financial instruments charged to the consolidated balance sheet include cash and cash equivalents, Murabaha, investments, other accounts receivables, related party transactions, suppliers, other payables and long term loans.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's cash and cash equivalents are placed with reputable local banks with good credit rating. Most of the company's sales are

QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As At December 31, 2010
(Saudi Riyals)

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QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As At December 31, 2010
(Saudi Riyals)

proceed in cash and most receivables are against enough guarantees so that they are stated in their estimated recoverable values, so that credit risk is limited.

Fair value

Fair value is the amount for which an asset can be exchange or liabilities can be settled, between knowledgeable and welling parties transacting at an "arms length". As the accompanying financial statements are prepared under the historical cost method, except for trading investments, differences may arise between the book values and the fair value. Management believes that the fair value of the Company's financial assets and liabilities are not materially different from their carrying values.

Interest rate risk

Is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company's interest rate risk arises mainly from bank murabha deposits as the loans obtained by the company do not bear commission rates. All murabha deposits are subject to re-pricing on regular basis. Management closely monitors the changes in interest rates and management believes that the interest rate risk to the Company is not significant.

Liquidity risk

Liquidity risk Is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

Liquidity risk is managed by monitoring on a regular basis to insure that sufficient funds are available to meet future commitments.

Currency risk

Currency risk is that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. The main transactions of the company are with Saudi Riyals. Currency risk is monitored on regular basis; consequently, the management believes that the company is not exposed to significant risk from the fluctuations of exchange rates.

28. COMPARATIVE FIGURES

Certain corresponding figures have been reclassified of the year ended on December 31, 2009 to conform to the current year presentation.