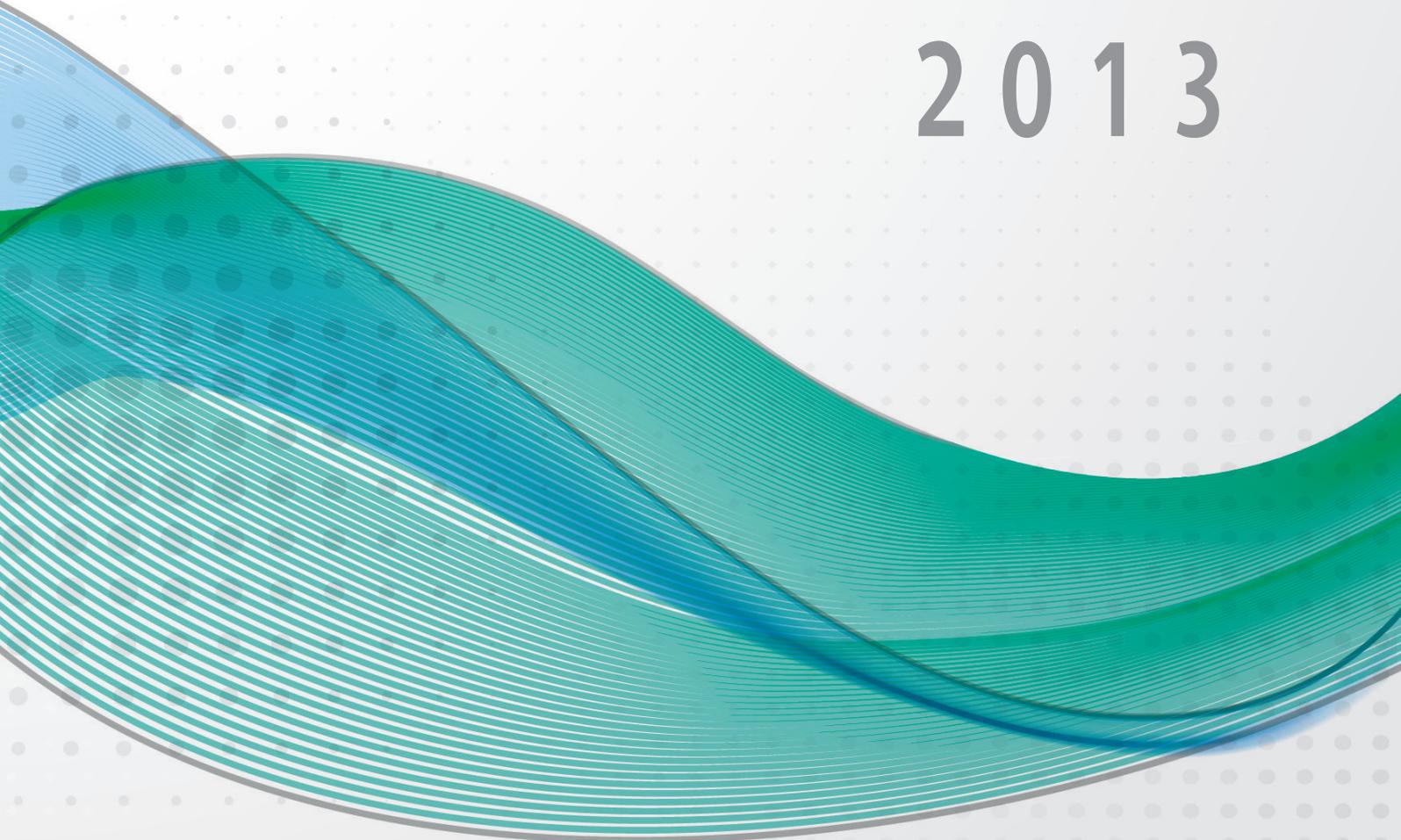


اسمنت اليمامة  
*Yamama Cement*

ANNUAL REPORT

2013



*In the  
name of*  
**Allah**  
*Most Gracious, Most Merciful*

**Board of Directors Report  
Of the Company's Shareholders  
For The fiscal Year ended on 31/12/2013  
Submitted to  
The 48th Ordinary General Assembly  
and 15th Extra-Ordinary General Assembly  
  
Riyadh on 17 /04/1435 H corresponding to  
17/02/2014 G**



Custodian of the Two Holy Mosques  
**King Abdullah bin Abdulaziz Al Saud**



His Royal Highness  
**Prince Salman bin Abdulaziz Al Saud**  
Crown Prince , Deputy Premier and minister of Defense

## Board of Directors Members



**HH. Prince Khalid  
Ben Mohammed Ben  
Abdulaziz Ben Turki**



**Vice Chairman and  
Managing Director  
HH. Prince Sultan Ben  
Mohammed Ben Saud Al-Kabeer**



**Chairman  
HH. Prince Turki Ben  
Mohammed Ben  
Abdulaziz Ben Turki**



**Mr. Fahed Ben Thinyan  
Al-thinyan**



**Mr. Rashid Mubarak  
Al-Muraishid**



**Mr. Mubark Ben Jaber  
Al-Mehimeed  
(Public Pension Agency  
Representative)**



**Eng. Faisal Sulaiman Al-Rajihi**



**Eng. Ibrahim Ben Abdulaziz  
Almuhanna**



**Mr. Satam Amir Alharbi  
(GOSI Representative)**



**General Manager  
Mr. Jehad Abdulaziz Alrasheed**



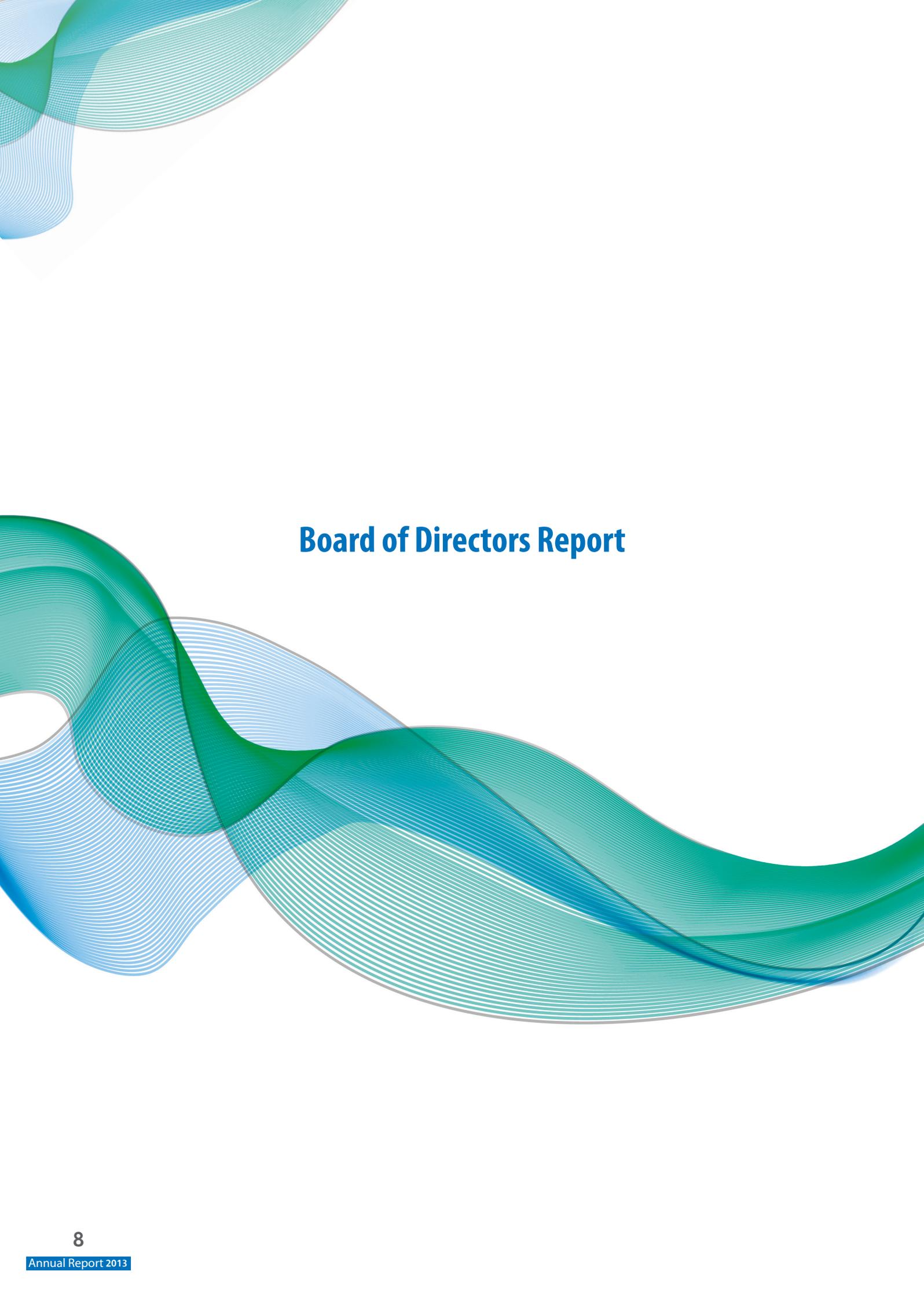
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## Board of Directors Report



## Board of Directors speech

Dear Shareholders:

YSC Board of Directors is pleased to submit its report for the fiscal year 2013 that include the operational and financial performance of YSC. The Company was able to maintain its position as the leader of cement companies in the region, maintain the quality of its production and the commitment of providing the best services to its customers. Despite the challenges faced in 2013 fiscal year, YSC kept up its positive results in terms of production and marketing processes that are reflected on YSC net profit.

## 1st: The Company Activity

YCC manufactures many types of cement; (ordinary, sulphate resistant, finishing cement) in its factory located in Riyadh city, and trade and marketing of these products domestically.

The current annual production capacity of the kilns amounted to (6) million tons of clinker, which is equivalent to (6.3) million tons of cement per year. YSC in this year 2013 was able to produce 101% of the full capacity of the production lines.

## 2nd: Business Results of the Company:

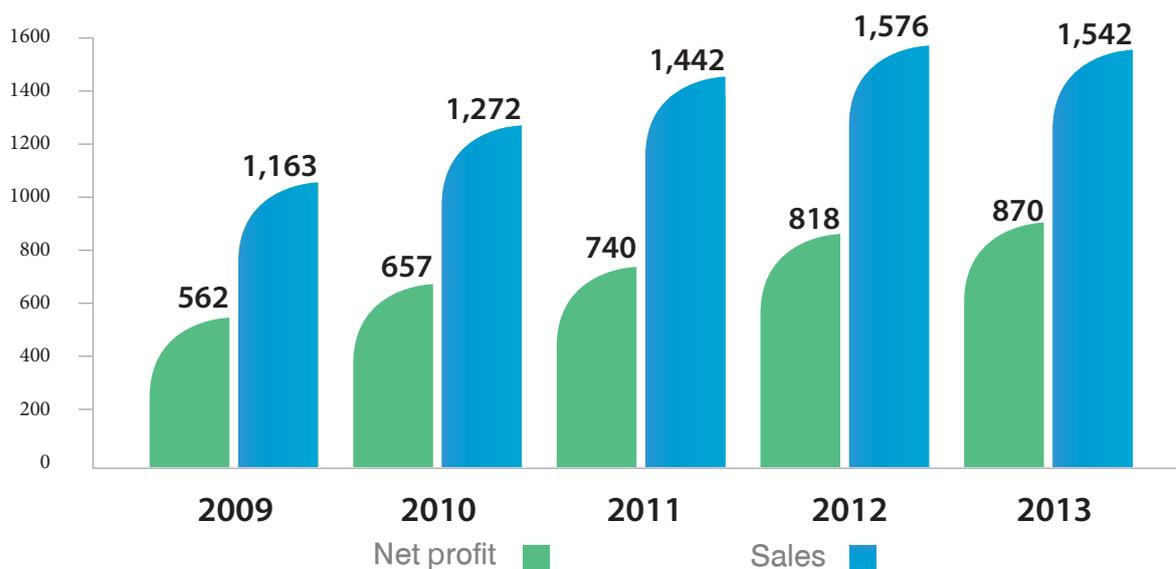
### 1. Company's Sales & Profits

Quantity of cement sold was (6,311) million tons versus (6,373) million tons in the year 2012, with reduction of (1%). It is worth mentioning that the Kingdom overall consumption of cement amounted to (56) million ton in the year 2013 compared to (53) million tons in the year 2012, with an increase of (3 %).

The company gross profit amounted to SR (881) million in 2013 compared to SR (914) million in 2012, with reduction of (4%). The operational profits have reached SR (829) million in 2013 versus SR (863) million in 2012, with reduction of (4%). The reduction in the total profits and operational profits is due the decline of quantity sold as a result of the correctional measures of the manpower's that took place recently in the Kingdom. The net profit in the year 2013 mounted to (870) million compared to SR (818) million in 2012, with an increase of (6%). This increase attribute to the increase of other revenues, government subsidy for imported clinker, and reduction of Zaka provision during this period compared to the previous year.

The following chart illustrates the Sales Value and Net Profit during the last five years (2009 – 2013):

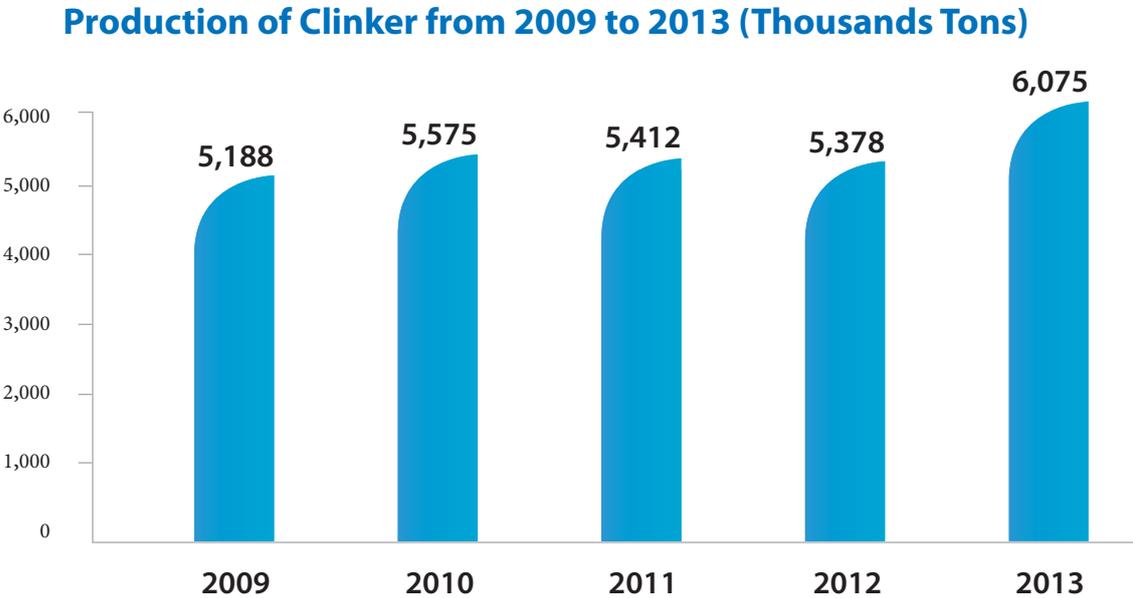
### Sales & Net Profit from (2009 - 2013) (Millions Riyals)



## 2. Production

The factory production of clinker amounted to (6,075) million tons during 2013(it constitute 101% of the designed capacity of the kilns production) compared to (5,378) million tons during the year 2012, with increase of (13%). The increase is attributed to increase of efficiency of production lines operation. Cement production amounted to (6,361) million tons in 2013 compared to (6,346) million tons in 2012.

The following chart illustrates the progress of the production of clinker during the last five years (2009 – 2013):



## 3. Import of Clinker

With reference to the royal decree No. 20535 dated 13/04/2013 stated that cement companies must and should import clinker or cement to cover the increasing demand of cement in the Kingdom, the quantity of clinker allotted to YSC was 660 thousand ton . YSC has imported by the end of the year 2013 an amount of 680 thousand ton ensuring its commitment with the ration agreed upon with the ministry of commerce & industry.



#### 4. Geographic Distribution of YCC Revenues

All Company sales took place in the central region of the Kingdom. YCC did not export any part of its sales outside the Kingdom in implementation of the banning decree issued on June 2008.

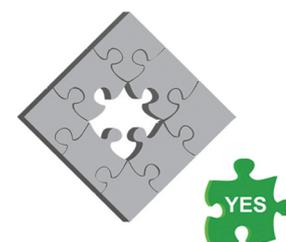
(Thousand tons)

Sales Location	Sales Quantities 2013	Sales Quantities 2012
Local Sales	6,311	6,373
Export Sales	-	-
Total	6,311	6,373



#### 3rd: Projects & Future plans

**The company has developed and implemented various policies to rationalize the costs, operation expenses, diversifying investments and improving its products in order to maintain its market quota. These projects and plans include the followings:**



1. Yamama Enterprise Resources Planning System Project "YES"

YES project has been accomplished successfully through effective implementation of E-12 Oracle Business suites System. It represent the sixth and the final phase of the strategic project (YES) that aims at implementation of the best works and organizational practices.

The project was completed on six phases that included the establishment and documentation of the infrastructure of the works systems, and work cycles and in all units of the company as follows:

1st Phase :

Started by formation of the project team, then writing all work procedures in the company, presenting a contest within the company to choose the name of the project "YES", and design a contract for selection of the project consultant to guarantee all needs and requirements of the company throughout the process of the project. M/S Ernst&Young was selected as project consultant.

2nd Phase:

In this phase study of the current status was carried out then to allowed by re-engineering of the work cycles.

3rd Phase:

Complete guidelines for policies and procedures were prepared for all work units in the company ( finance, human resources, Commerce, and factory units). All best organizational practices and unification of standards were observed. These practices incorporates, the general policies, detailed work procedures, performance reports, documentary cycles, authorizations limits ( It was printed in binders of 5.480 pages and kept in the company web site ).

4th Phase:

Work cycles application was designed, it means study & planning of automation of the processes in accordance of the suitable system. The technical and commercial contract for the executing contractor was designed and tendered. TATA Company was selected to execute the project.

5th Phase:

Gaps and YCC technical requirements of operational administrative and financial processes were analyzed and agreed upon with the executing contractor.

6th Phase:

On 8/12/2013 the system was completely operated and linked with all units of the company.

The System includes :

- The financial System (General Ledger, Suppliers payments. Customer receivables, fixed assets management, treasury & investment processes, proprieties management).
- Commercial System and Supply system: (purchases, sales, marketing, warehouses, contracts, complex purchase order. Landed cost management (LCM), Intelligence business).
- Human Resources System (Personnel affairs, salaries, training, self services, attendance).
- Factory System (Operation, production, costs, Connecting the automatic scaling system of receipt & issuance (VAS) with sales, marketing, operation, production, quarry, raw materials, general maintenance systems).

### **Achieved goals through the project:**

To link work units with a single unit on intact bases and documented procedures through modern systems in accordance with the highest industrial standards that shall result in : cost reduction, effective and efficient performance, avoiding errors, prompt execution, avoiding repetition, increase the competitive ability, cancellation of manual works, availability of the financial and administrative reports in time, reduce risks, determine suitability of authorizations with responsibilities, raise the level of customers services. It is worth mentioning that all phases of the project were being accomplished by joint efforts between the consultants and the team work representing the various departments of the company that resulted in new positive culture which added qualitative and informative experience for the project members and consequently shall be reflected into the rest of the company.

## 2. Investment in Yemeni Saudi Cement Co.

As referred in the previous Board of Directors report of the year 2011, YCC has purchased 20% of Yemeni Saudi Co. paid-up capital of \$ 100 million (SR 375million) in the 1st quarter of the year 2010. Accordingly, the share of the company is SR 75 million that has been funded through the cash flow of the company business activity. Yemeni Saudi cement Co. owns Batais Cement Plant located in Abyan Governorate near Aden city with a designed capacity of 1.4 million ton per year .It is noticeable that the factory is at the beginning of the experimental operation, and the commercial operation was expected to start at the end of 2011 but, due to the current circumstances of Yemen, the experimental operation has become impossible in the due date. YCC is closely following up the situation there, and as the current circumstances are persisting, the Company has increased the provision for investment depreciation in the year 2013 by another SR (15) million which constitute 20% of YSC share in Yemeni Saudi cement Co and the total amount of this provision reached SR (30) in order to face any potential decline in the value of investment.

3. A letter was received from the concerned government department regarding the necessity to re-locate the factory from its current location. YCC has commenced the necessary actions in this regard.





#### 4th: Dealing with related parties

YCC transactions during the year with related parties are within the normal scope of its business. These transactions are being determined by the fair value as shown in the following table:

(Thousand Riyals)

Related party	Nature of Relation	Type of Transaction	Related Party	Contract period	Transactions value in 2013	Balance on 31-12-2013
1- Cement Products Industry Co. (Jeddah)	YCC owns 33.33% of the company Paid-up capital	Purchase of paper sacks for cement packing	—	Opened	20,686	(1,546)
2- Arabian Shield Insurance Co. <sup>(1)</sup>	YCC owns 3.79% of the company Paid-up capital	Insurance	Vice Chairman&MD P/Sultan M.S.Alkabeer	Annual	10,630	1,122
3- Yemeni Saudi Cement Co. <sup>(2)</sup>	YCC owns 20% of the company Paid-up capital	Cement Production	Vice Chairman&MD P/Sultan M.S.Alkabeer	Opened	—	19,515

(1) Arabian Shield Insurance Co was selected among some bidders on basis of their technical & financial tenders.

(2) A share of 20% with an amount of SR 75 million was purchased in the Yemeni Saudi Cement Co which its capital amounted to SR 375 million (\$ 100 million) This share was purchased in nominal value from part of some shares of Yemeni and Saudi partners, among them is HH Prince Sultan Ben Mohammed Ben Saud Alkabeer the Vice Chairman & the Managing Director of YCC where 4% of his shares were purchased with amount of SR 15 million.

## 5th: The Company Investments

YCC invests in some companies, some real states funds and sukuk. The following table illustrates the value of these investments as of 31/12/2013

(Thousand Riyals)

Company Name	Yamama Share(%)	Value of Investment as of 31/03/2013
1- Cement products Industry Co. (Jeddah) <sup>(3)</sup>	33.33%	25,405
2- Energy Industries & Services Co. (Closed Stock Co.) <sup>(3)</sup>	5.625%	112,500
3- Al Kayan Petro-chemical Co. (Closed Stock. Co) (1) (1)	0.625%	6
4- Saudi Kayan Petro-chemical Co. (Kayan) (Joint Stock.Co.) <sup>(2)</sup>	0.0625%	14,719
5- Sahra Petro-chemical Co. Joint Stock Co.) (2)	1.167%	101,362
6- Arabian Shield Insurance Co. (Joint Stock Co.) <sup>(2)</sup>	3.79%	26,646
7- Hail Cement Co. (Joint Stock Co.) (2)	6.13%	127,800
8- Yemeni Saudi Cement Co. (Net) (3)	20%	45,060
<b>Total Investment in company</b>		<b>453,498</b>
Investment in Sukuk and Real States Funds:		
9- Investment in Sukuk		50,000
10- Investment in real states funds		144,878
<b>Total Investment</b>		<b>648,376</b>

(1) According to the decision of Kayan Extra-ordinary General Assembly held on 15/5/2013, Liquidation of the company was approved and a liquidator has been appointed for the company.

(2) The value of investment in the joint stocks companies is determined on 31/12/2013 according to the market value of the share.

(3) Investment value was determined according to the book value.

## 6th: Loans

(Thousand Riyals)

Loan Provider	Loan Duration	Loan value	Paid installments	Balance as of 01/01/2013	Paid During 2013	Balance By the end of 2013
Industrial Development Fund (SIDF)	8 years	459,796	428,662	48,117	16,983	31,134

## Payable Loan:

(Thousand Riyals)

Date	Amount
2014/06/13	10,378
2014/12/07	10,378
2015/06/02	10,378
<b>Payable Total</b>	<b>31,134</b>



## 7th: Affiliated Companies

Company Name	Main Activity	Country	Manufacture site	% Yamama
Cement Products Industry Co. (Jeddah)	Sack Papers	K.S.A	Riyadh-Jeddah	33.33% of the paid capital

## 8th: Regular Payment to Government Departments

(Thousand Riyals)

Statement	2013	2012
Custom fees	7,049	4,580
Zakat	33,668	29,123
Social Insurance (GOSI) Subscriptions	9,562	9,734
Visas fees	2,868	1,524
Quarries Exploitation Fees	40,734	40,904
Railway Rents	2,266	2,666
<b>Total</b>	<b>96,147</b>	<b>88,531</b>

## 9th: Social Responsibility and Community Service

### a. Social Donations & Contributions

In conviction to the concept of the social responsibilities to achieve persistent development and as it is regarded as a commitment of the Company toward the community and its surrounding environment, the Company activities concentrated in the field of social responsibility within four major fields that include: science & training, charitable support, environment and community activities.

#### Donations in the year 2013

- Co- sponsoring the annual Career day for engineering disciplines in King Saud University.
- Co- sponsoring the 2nd Social Responsibility forum-Ministry of social Affairs.
- Donation to Saudi Organization for Certified Accountants (SOCPA).
- Donation to the Chemical Engineering Club (The closing ceremony).
- Donation to Albir Charitable Society .
- Donation to Eid Alfitr festival –Riyadh Municipality.
- Donation to the chartable society for memorization of the Holly Quran.
- Participating in the Productive Families Exhibition in Riyadh International Center to support 30 families.
- Donation to Alwafa Charitable Society for Women.
- Donation to the chartable society for Smoking Control.
- Donation to Children Cancer Support Association.
- Donation to the Saudi Chartable Association for Diabetes.
- Donation to Down Syndrome Charitable Association.
- Donation to Motor disability for Adult Association.
- Donation to Prince Sulman Social Center.
- Saudi Charitable Association for Cancer Control.
- Summer training at institutes of English Language and Computer for (316) male and female students.
- Other charitable Donations .

**b. Safety, Healthy & Environment**

With regard to the efforts exerted for Environment Preservation, YCC is committed to implement all Saudi and International standards to safeguard environment safety under supervision and follow-up of the General Presidency of Meteorology & Environment Protection in the Kingdom.

YCC observes all requirements included in the main principles adopted in its operation policies. It confirms the regularity, safety functioning and efficiency of filters in all facilities of the factory in such fashion that far exceeding the requirements determined by the General Presidency of Meteorology & Environment Protection in the Kingdom. YCC obtained the following certificates from the Swiss International Examination CO. (SGS) :-

- Certificate of Conformity of Environmental Management System ISO 14001 (The Company is one of the first companies in the Kingdom that obtained this certificate).
- Management Certificate of Occupational Health and Safety OHSAS 18001 (YCC is the first Saudi company in cement sector that obtained this certificate)..
- In its commitment to its Social Responsibilities, YCC has replaced the measuring devices for dust and gas emission from the chimneys in order to increase control in these emissions.
- YCC has signed a contract with ELEX (Swiss Co that manufactures Filters for Elect. Kilns ) for technical evaluation and maintenance.



ISO 9001



## 10th: Human Resources

### 1. Work Environment:

YCC pays special attention to its human resources since it believe that the human element cannot be replaced by technology because it regarded as one of the drive power element for technology development. Human element is the intellectual, innovator, inventor and developer. Therefore , YCC continuously support the its staff to positively participate for development of the work at all levels and it create the appropriate environment to enable them to work as a single team. To achieve this goals YCC has approved many programs and systems that aim at creation of the appropriate work environment and a means for attraction of capable staff, among which are :

- Excellence Award: Be awarded to those who contributes for development of the work at all level. It is monetary and moral award aims at creating an incentive environment and work culture to boost the spirit of innovation and invention. The outcome of this policy has become tangible during the past period.
- Colleagueship loan: YCC in its effort to create an appreciate work environment that take into consideration the employee circumstances, has approved this loan. It is a lump sum amount given to the employee in order to help him to cover his emergent needs. BOD has approved this loan since 1985 . Amount paid for the year 2013 was SR (6.065.372) for (381) employees to be paid back in (12) installments.
- Housing Loans Programs: It is a non profitable loan being provided to the national citizen staff to boost their loyalty to the Company. The housing loans approved during 2012. Total amount being paid was SR (8.6)million. The loan is being granted in accordance to approved mechanism based on the principle of equality among employees and preservation of the rights of the company.
- Implementation of the computerized system for “ performance management” through automatically linking the evaluation to objectives in order to obtain accuracy and reach the principle of equality among the employees.



**2. Employment:**

YCC has recruited during 2013 a number of newly Saudi graduated engineers and technicians to work as a second line in the factory. The company was very keen to train and rehabilitate them to fill the vacancies. This step coincide with the plan drafted for routine employment. Saudization in Dec.31,2013 reaches (50%) of the total manpower in the Company.

**3. Training & Development :**

YCC believes that the good quality of its product cannot be achieved without the thought, skill, and efficiency of its manpower. Training in the company is regarded as one of its strategies for investment in human resources, therefore, YCC has given more attention for training through the periodic training needs that aim at development of their job roles and improvement of their performances. YCC in 2013 intended to meet the training needs of its staff according to the needs of the works through a training programs package that furnish the employee with the technical and applied skill to develop his work.



**Yamama Cement Work Environment**



## 11th: Risks

The company pays much concern on potential risks that may arise from the expected local competition as a result of emergence of new companies in the central region and the expansion of production capacities of other companies. These risks are periodically being reviewed and the appropriate actions are taken to overcome them. There are no other risks. The note No. (27) included in the finance statements may be referred.

## 12th: Corporate Governance

### a. The Current Status of the Corporate Governance

YCC has implemented all articles included in the regulation of the Company corporate governance, the most important of which is Non-Conflict of interests that is previously approved by the Board of Directors which are in line with Governance Regulation issued by Saudi Capital Market Authority. A copy was submitted to the Authority on 13/12/2011.

### b. The Board of Directors Committees

#### 1- Internal Audit Committee (IAC)

The Internal Audit Committee supervises the department of the Internal Audit in order to verify the effectiveness of the internal control system on all aspects of the works in the company. The Internal Audit Committee study the reports of the internal control system and the annual reports, follow up and implement the correctional measures included in it .

The IAC also submits its recommendation to the Board with respect to the assignment of the external auditor of the Company, reviewing the annual & quarterly financial statement of the company, and the audit plan of the legal auditor, in addition to studying and following up of the legal auditor remarks on the financial statements The IAC held (4) meetings during 2013.

The IAC consists of the following four Board members:

His Excellency, Mr. Mubark Ben Jaber Al Mehaimeed	Chairman
His Excellency, Mr. Rashid Al Mubarak Al Muraishid	Member
His Excellency, Eng. Ibrahim Abdulaziz Almuhana	Member
His Excellency, Mr. Satam Amir Alharbi	Member

#### 2- Nominations & Benefits Committee (NBC)

The Nominations & Benefits Committee reviews the structure of the Board of Directors, effectiveness and performance of its members, submits recommendations regarding the changes that may be undertaken, determines strengths and weaknesses points, ensures independency and non-conflict of interests of any board member, recommends the nomination of the board member according to the required needs, and reviews the benefits & compensations of the Board Committees and the Managing Director as well as the salaries of the senior management and Saudization rates.

The NBC consists of the following members:

His Highness, Prince Sultan Ben Mohammed Ben Saud	Chairman
His Excellency, Eng. Faisal Ben Sulaiman Al Rajihi	Member
His Excellency, Mr. Fahd Ben Thunyian Al Thunyian	Member
His Excellency, Mr. Jihad Ben Abdulaziz Al Rasheed	Member (GM)

The BNC held (2) meetings during 2013.

### c. The Board of Directors (BOD)

The BOD which manages YCC consist of (10) members. (4) Meetings were held by the BOD during 2013. The following table illustrates the meetings attended by the BOD members during 2013, and their membership at other shareholding Companies

Name	Classification	BOD Meetings				Membership at other shareholding companies
		1	2	3	4	
HH. Prince Turki Ben Mohammed Ben Abdulaziz Ben Turki – Chairman	Independent	✓	✗	✓	✓	
HH. Prince Sultan Ben Mohammed Ben Saud Al-Kabeer - Vice Chairman and Managing Director	Executive	✓	✓	✓	✓	Almraie Dairy Co Arabian Shield Insurance Co. Al Tayyar Travel Group
HH. Prince Khalid Ben Mohammed Ben Abdulaziz Ben Turki	Executive	✓	✓	✓	✓	
Mr. Rashid Mubarak Al-Muraishid	Independent	✓	✓	✓	✓	
Eng. Faisal Sulaiman Al-Rajhi	Independent	✓	✓	✓	✓	
Mr. Fahd Thinyan Al-Thinyan	Independent	✓	✓	✓	✓	-National Gypsum Co-National Agri. Development Co. ( NADC)
Eng. Ibrahim A. Al-Muhanna	Independent	✓	✓	✓	✓	
Mr. Mubark Jaber Al-Mehimeed (Public Pension Agency Representative)	Non executive	✓	✓	✓	✓	
Mr. Jamal Ahmed Al-Ajajy <sup>(1)</sup> (GOSI Representative)	Non executive	✓	—	—	—	
Mr. Satam Amir Alharbi <sup>(1)</sup> (GOSI Representative)	Non executive	—	✓	✓	✓	National Gas and Industry Co.
Mr. Jehad abdalaziz Alrasheed (General Manager)	Executive	✓	✓	✓	✓	Representative of YCC in BOD of Hail Cement Co.

(1) Mr.Satam Alharbi has joined on 1/4/2013 as GOSI representative to replace Mr. Jamal Alajaji

## D. Benefits of BOD members & Senior Executives in 2013

(thousands Riyals)

Statement	Executive Board Members	No- executive Board Members	Independent Board Members	Senior executives <sup>(2)</sup>
Salaries & Compensations	999	-	-	6,109
Periodic & annual Benefits	<sup>(1)</sup> 677	400	1,200	2,648
Incentive Plans	-	-	-	-
Compensation & other kind benefits being paid monthly of annually	-	-	-	-
<b>Total</b>	<b>1,676</b>	<b>400</b>	<b>1,200</b>	<b>8,757</b>

(1) Includes bonuses for three members of the executive board of directors.

(2) The senior executives are (General Manager, GM for Finance & IT, GM of Commercial Affairs, Human Resources Manager, Factory Manager, and Internal Audit Manager).



## E. Stockholdings & Equities of BOD members, executive management, their wives & minors in YCC shares or debts tools or any affiliated companies.

Name	Shares at the begging of the year		Shares at the end of the year		Change during the year	
	NO. of Shares	%	NO. of Shares	%	NO. of Shares	%
Prince / Turki Ben Mohammed Ben Abdulaziz Ben Turki	34,500	0.0170%	34,500	0.0170%	-	-
Prince / Sultan Ben Mohammed Ben Saud Al-Kabeer	21,301,582	10.5193%	21,301,582	10.5193%	-	-
Prince / Khalid Ben Mohammed Ben Abdulaziz Ben Turki	1,500	0.0007%	1,500	0.0007%	-	-
Mr. /Rashid Mubark Al-Miraishid	220,500	0.1089%	220,500	0.1089%	-	-
Eng. Faisal Sulaiman Al-Rajihi	869,912	0.4296%	520,912	0.0026%	(349,000)	(40%)
Mr./ Fahd Ben Thinyan Al-Thinyan	1,500	0.0007%	1,500	0.0007%	-	-
ENG. Ibrahim Abdul-Aziz Al-Muhanna	49,000	0.0242%	4,000	0.0020%	(45,000)	(91.84%)
(PPA) represented by: Mr. Mubarak J. Al Mehaimeed <sup>(1)</sup>	10,911,606	5.3884%	11,215,493	5.538%	303,887	2.784%
(GOSI) represented by Mr. Satam Amir Alharbi <sup>(2)</sup>	15,840,667	7.8226%	16,944,595	8.367%	1,103,928	6.968%
Mr. Jehad Ben Abdalaziz Al Rasheed (GM & Member of BOD)	1,000	0.0005%	1,000	0.0005%	-	-
Mr. Mohammed A. Alamoudi (GM Finance &IT)	150	0.0001%	150	0.0001%	-	-

1. These shares are owned by Public Pension Agency. Mr. Mubarak Al-Mehaimeed does not own any of the company shares.

2. These shares are owned by GOSI. Mr. Satam Amir Alharbi does not own any of the company shares.

\* No debt tools are found with the members of Board of Directors.

### 13th: Company Attestations

The company management attests that:

1. The accounts records for the year 2013 have been correctly prepared in accordance with accounting standards and auditing issued by Saudi Organization for Certified Accountants.
2. The Internal Control System has been setup on a sound basis and efficiently implemented.
3. There is no any doubt in the ability of YCC to keep on its activities.
4. There is no any contract of major benefit to any one of the BOD members or the executive management.
5. There are no investments or reserves are created in favor of YCC staff, e.g. ( savings, loans, staff shares..... etc)
6. No punishments or penalties imposed on YCC for short of long run.

### 14th: Results of the annual audit for the activities and procedures of the internal control system

According to the audit plan approved by the audit committee, the Internal Audit Dept. submits periodic reports to the Audit Committee regarding the operational, administrative and financial audits processes undertaken on continuous basis to verify the effectiveness of the internal audit system in protection of the Company assets, evaluation of business risks, and measurement of the effectiveness and efficiency of performance and the follow up of implementation of the correctional measures for the recorded remarks . These audit processes have not shown any substantial weakness in the internal control system of the Company. Most remarks are mainly in the fields of performance improvement, activation of the operational units, raising its efficiency, coordination of the integrated relations within these units, completion of its procedures documentation so as to add more strength to the Company Internal Control System, and to have the best utilization of the available resources. Also, the external auditor evaluates this system as a part of his auditing task of the final financial statements of the Company. He is allowed to review all the minutes of audit committee, and the reports of the internal audit on the financial period under audit.



## 15th: The Financial Results

Below, is a summary of the financial results for the period from 2009 to 2013

### 1. Balance Sheet

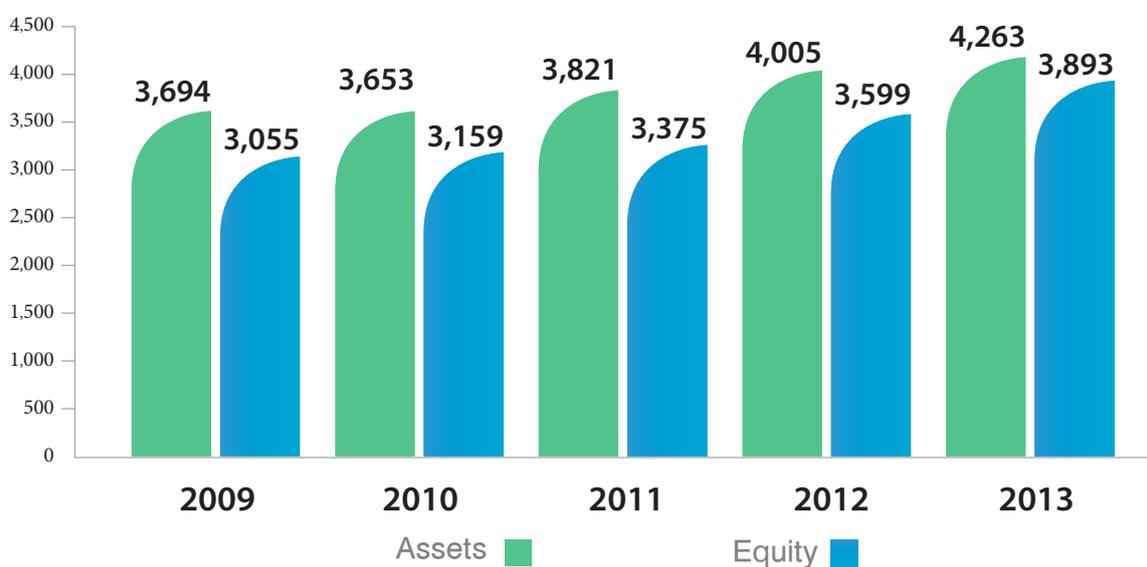
(thousands Riyals)

Statement	2013	2012	2011	2010	2009
Current assets	1,838,836	1,674,709	1,322,338	1,126,808	1,077,312
Non-current assets	2,423,808	2,330,609	2,499,212	2,526,580	2,616,933
<b>Total assets</b>	<b>4,262,645</b>	<b>4,005,319</b>	<b>3,821,550</b>	<b>3,653,388</b>	<b>3,694,246</b>
Current liabilities	293,773	312,739	333,776	245,763	317,692
Long term loans	10,378	31,134	48,135	189,892	267,271
Non-current Liabilities	65,136	62,414	64,219	59,040	54,119
<b>Total Liabilities</b>	<b>369,287</b>	<b>406,287</b>	<b>446,130</b>	<b>494,695</b>	<b>639,082</b>
<b>Shareholders Equities</b>					
Paid-up Capital	2,025,000	*2,025,000	1,350,000	1,350,000	1,350,000
Reserves	883,970	796,947	1,316,215	1,208,457	1,102,283
Unrealized Gains from Investment	136,372	101,867	70,119	49,831	60,832
Retained Earnings	848,016	675,217	639,086	550,405	542,049
<b>Total Shareholders Equities</b>	<b>3,893,358</b>	<b>3,599,031</b>	<b>3,375,420</b>	<b>3,158,693</b>	<b>3,055,164</b>
<b>Shareholders Equities &amp; Liabilities</b>	<b>4,262,645</b>	<b>4,005,319</b>	<b>3,821,550</b>	<b>3,653,388</b>	<b>3,694,246</b>

(\*) The paid up capital has been increased by transferring SR 675 million of the general reserve and granting one share for every two shares as per the Extra-ordinary General Assembly decision No(14) dated 26/2/2012.

The following chart illustrates the progress of Assets and Share Holders Equity during the last five years (2009 – 2013):

### Assets & Shareholders Equity from (2009 - 2013) (SR Million)



## 2. Income Statement

(thousands Riyals)

Statement	2013	2012	2011	2010	2009
Net Sales	1,541,857	1,575,843	1,442,218	1,271,929	1,163,006
Cost of Sales	(660,825)	(661,762)	(632,954)	(560,055)	(546,957)
Gross Profit	881,032	914,081	809,265	711,874	616,049
Total Admin., Marketing & General Expenses	(70,973)	(73,096)	(63,662)	(51,606)	(55,311)
Other Income	86,174	24,571	18,158	21,662	19,009
Zakat	(26,000)	(48,000)	(24,000)	(25,000)	(18,000)
Net Income	870,234	817,556	739,761	656,930	561,747
Earnings Per Share (EPS)	4.30	4.04	5.48	4.87	4.16

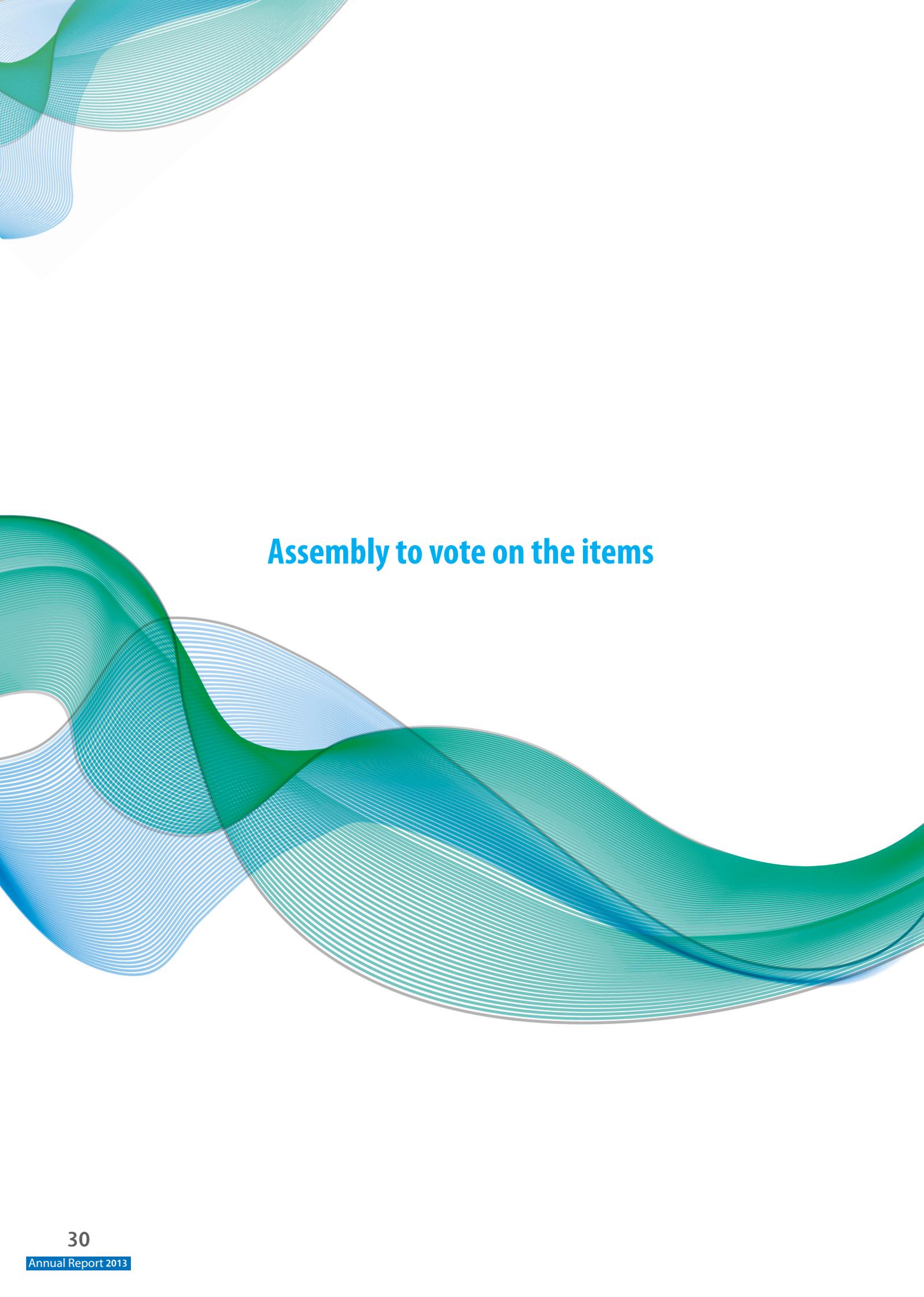
## 16th: Company's Profit Appropriation Policy

Company Policy of Appropriation of its net annual profit, relies on regulations stated in the company's articles of association, cash availability necessary for payment of investments and company strategic projects. Profits are appropriated as follows:

1. 10% of the net profit shall be set aside to establish Statutory Reserve (to be suspended when the reserve amounts to half of the paid-up capital).
2. 5% of the paid-up capital shall be distributed to shareholders as first payment.
3. Remuneration of the Board's members shall be deducted from the balance as per regulations and instructions set up for this purpose.
4. Additional dividend from the balance may be distributed to shareholders upon BOD recommendation.
5. Based on recommendation of the BOD, the General Assembly may establish additional reserve or other reserves in appropriate amount that preserve the strength of the company financial position and grantee suitable and steady distribution of profit.

<b>Suggested Profit Appropriation for the year 2013</b>	(in Riyals)
Net profit after deducting Provision of Zakat	<b>870,234,035</b>
Less : 10% of net profit as Legal Reserve	<b>(87,023,403)</b>
Balance	<b>783,210,632</b>
Less: First dividend to shareholders at 5% of the paid-up capital	<b>(101,250,000)</b>
Balance	<b>681,960,632</b>
Less: Board of Directors remuneration	<b>(2,400,000)</b>
Balance	<b>679,560,632</b>
Less: 10% of the general reserve net profit	<b>(87,023,403)</b>
Plus : Profit carried forward from previous year after appropriation	<b>371,155,158</b>
Total :	<b>963,692,387</b>
Less: additional Dividend to shareholders at 25 % of paid-up capital	<b>(506,250,000)</b>
<b>Balance : to be carried forward to the next year</b>	<b>457,442,387</b>





## Assembly to vote on the items

## 17th: Board of Directors Recommendations to 48th Ordinary General Assembly

1. Approval of the Board of Directors report for the fiscal year ended 13/12/2013.
2. Approval of the Financial Statements as on 31/12/2013, and the report of the external auditor.
3. Free the members of the board from any consequences of their activities during the year 2013, and until the date of the General Assembly Meeting.
4. Approval of the Board of Directors' proposal regarding the distribution of the profits for the year 2013 by SR (3) as dividends. It should be mentioned that SR (1.5) is distributed to the shareholders for the 1st half of the year 2013 with total amount of SR (303.75) million that constitutes (15%) of the Company capital. The eligibility for the 2nd half dividend which is SR (1.5) per share with total amount of SR (303.75) million and constitutes 15% of the Company capital of the shareholders who registered in «Tadawul» records at the end of the General Assembly meeting day. Therefore, the total amount that shall be distributed is SR (607.5) million which constitutes 30% of YCC capital and the date of distribution of profits shall be announced later.
5. Approval of the assignment of the certified accountant nominated by the Audit Committee to audit the company accounts for the fiscal year 2014, as well as the quarterly financial statements, determine his fees or assign another auditor.
6. Approval of the transactions of the related parties that took place with YCC during 2013 among which is Yemeni Saudi Cement Co. where YCC investment owned 20% of the capital and to license it for the coming year, This transaction is represented in purchasing YCC in 2019 part of the shares of some Saudi and Yemeni partners, among them, the member of the BOD, HHP/ Sultan Ben Mohammad Ben Saud Alkabeer by 4% of the Company capital and in the nominal value of SR(15) million without any terms on this transaction.
7. Approval of participation of Mr. Jehad Abdulaziz the GM & member of the BOD in a competitive business to YCC business in his capacity as a representative of YCC in the BOD of Hail Cement Co.
8. Approval of continuation of appointment of Mr. Jehad Abdulaziz the GM & member of the BOD in the membership of the BOD of Cement products Industry Co ( Related parties) and to delegate him to transact with this Company for the year 2013 and 2014.
9. Approval of appointment of Mr. Satam Amir Alharbi (As non-executive member) as a member of the BOD to represent The General Organization for Social Insurance.(GOSI).
10. Amendment the title of the article No (24) of the Corporate Governance Regulation to be read as follows : The policies, standards and procedures of formation of the BOD instead of the title Formation of the BOD and agree to approve the addition of some items.
11. Adding an item to article No (59) of the Corporate Governance Regulation under the Tasks & Responsibilities of Nominations and Benefits Committee as follows: " Verifying and follow up the implementation of the items of article No (24) of the Corporate Governance" .

In accordance with the article No.(36) of the Article of Association of the Company, the eligibility of attending the Ordinary Assembly is for the shareholders who own (20) shares or more. The shareholder has the right to delegate another shareholder provided that he is not a member of the BOD. The attending shareholders (Personally or delegated member) are requested to bring with them their identity and the document of their shares ownership in accordance of the ministry of commerce circular No. 222/81/9/4380 dated 06/11/1421H keeping into consideration that the Assembly will not be held unless the quorum is attained which is equivalent to 50% of the capital.

## 18th: Board of Directors Recommendations to 15th Extra-Ordinary General Assembly

Amendment of article (18) of the ARTICLES OF ASSOCIATIONS of the COMPANY so that it is entitled BONDS AND DEBENTURES (SUKUK) and read as follows:

“The GENERAL ASSEMBLY shall have the right to issue bonds or debentures compatible with Islamic Sharria from time to time for periods exceeding three years for the appropriate amounts and conditions.”

To authorize the BOARD OF DIRECTORS to take necessary action to issue bonds or debentures (SUKUK) of more than three years maturities and take all necessary measures whenever the Board of Directors thinks needed and also authorize the Board of Directors to delegate some or all of the powers granted to it by the above Article to any other person or persons and give them the right to authorize third parties.

Amendment of Article (30) Of the Articles of Association of the Company to read as follows:

Without prejudice to the competencies of the General Assembly ,the Board of Directors shall have the widest powers to manage the affairs and make the policies of the Company and is entitled for example but not limited to participation in other companies or partnerships, disposition of the assets, movable and immovable properties of the Company, receiving and payment of the price ,mortgage ,closing of mortgage, sale and registration of sale ,receiving and delivery of the price, division and annexation of properties and sukuk, provided that in relation to sale of immovable properties of the Company, the minutes of the Board of Director and the reasoning of its decision to dispose shall contain and take into consideration the following conditions:

- 1- The Board shall mention in the decision of sale the reasons and justifications for it.
- 2- The sale price shall be comparable of similar property.
- 3- The sale price shall not be deferred except in cases decided by the Board and with sufficient guarantees.
- 4- The disposition shall not stop some of the activities of the Company or cause the company to assume additional obligations.

The Board of Directors may also contract loans with Government Funds and financial institutions for any term and shall have the authority to contract commercial loans taking into account the following conditions when contracting loans of more than three years maturities:

- 1- The value of the loans which the Board may contract during any one financial year shall not exceed 50% of the capital of the Company.
- 2- The Board of Directors shall determine in its decision the ways in which the loan will be used and how to repay it.
- 3- The conditions of the loan and the guarantees given shall cause no harm to the Company, its shareholders or the general guarantees of the creditors.

The Board of Directors of the Company also in the cases decided by it shall have the right to discharge the debtors of the Company from their obligations according to the interest of the Company, provided that the minutes and reasoning of the decision of the Board of Directors shall contain the taking into consideration the following conditions:

- 1- The discharge shall take place after at least one year from the date of the debt.
- 2- The Discharge shall be for a maximum specified amount for each year for the one debtor.
- 3- The discharge is a right of the Board which shall not be delegated.

The Board of Directors may appoint or delegate on its behalf within the limits of its powers one or more of its members or third parties to do a job or certain jobs or cancel the authorization or the power of attorney wholly or partly.

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The Board of Directors would like to extend its thanks for your precious confidence entrusted to it, and pray to Allah Almighty to guard the Custodian of the Two Holy Mosques, King Abdullah Ben Abdulaziz, H.R.H Crown Prince Salman Ben Abdulaziz, deputy prime minister and minister of defense, guide them and their wise government to achieve the welfare for this country and the citizens, protect the Kingdom from all evils, and safeguard the Kingdom with security and peace.

The BOD would also like to extend its thanks and appreciations to all employees of the YCC for their serious and sincere efforts that aim at preserving the continuation, progress, and prosperity of the Company.

Board of Directors

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## **Auditor's Report and financial statements**



January 7, 2014

### Auditor's Report

To the **Shareholders**  
Yamama Saudi Cement Company

We have audited, the accompanying Balance Sheet of **Yamama Saudi Cement Company - Saudi Joint Stock Company** - as at December 31, **2013**, Statements of Income, Cash Flows and Changes in Shareholders' Equity for the year ended, together with the Notes from No. (1) to No. (28) which form an integral part of these financial statements. These statements prepared by the company in accordance with article 123 of the Saudi Regulations for Companies and have been submitted to us together with all requested information and data. 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.

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

1. Present fairly the financial position of **Yamama Saudi Cement Company** – Saudi Joint Stock Company as at December 31, **2013** and the results of its operations & Cash Flows for the year ended in accordance with the presentation and disclosure of information maintained in the financial statements and with the Accepted Accounting Standards appropriate to the circumstances of the Company.
2. The preparation and presentation of the financial statements are consistent with the requirements of the Saudi Regulations for Companies, as well as with the Company's Bylaw.

The automated accounting records maintained by the Company, comply with its financial statements.

  
For **AlKharashi co**  
Certified Accountants and Auditors  
**Suliman A. Al-Kharashi**  
C.A. License No. 91



## Yamama Cement Company Saudi Joint Stock Company Balance Sheet

	Note	As of December 31,	
		2013	2012
		SR	SR
<b>Current Assets:</b>			
Cash in hand and in banks	3	36,050,736	47,970,903
Investments in Islamic Funds	4	1,217,595,307	1,193,105,896
Accounts Receivable	5	298,271,972	321,892,401
Due from Related Parties	6	24,587,727	24,486,571
Inventories	7	160,549,607	66,109,020
Other accounts receivable	8	101,781,067	21,144,666
<b>Total Current Assets</b>		<b>1,838,836,416</b>	<b>1,674,709,457</b>
<b>Non-Current Assets</b>			
Fixed Assets, Net	9	1,678,605,572	1,809,396,332
Capital Works in Progress	10	79,673,078	69,175,776
Long Term Investments, Net	11	648,376,042	438,291,128
Deferred Expenses, Net		17,153,770	13,745,862
<b>Total Non-Current Assets</b>		<b>2,423,808,462</b>	<b>2,330,609,098</b>
<b>Total Assets</b>		<b>4,262,644,878</b>	<b>4,005,318,555</b>
<b>Liabilities &amp; Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts Payable	12	159,229,089	180,661,345
Due to Related Parties	6	1,545,972	1,584,000
Long Term Loans – short portion	13	20,756,000	16,983,000
Dividend Shares Payable & Other Due to share holders		48,580,752	43,135,990
Accrued expenses and other current liabilities	14	23,754,323	22,799,941
Provision for Zakat	15	39,906,786	47,575,084
<b>Total Current Liabilities</b>		<b>293,772,922</b>	<b>312,739,360</b>
<b>Non-Current Liabilities:</b>			
Long Term Loans	13	10,378,000	31,134,000
Provision for End of Service Indemnity	2	65,135,728	62,414,193
<b>Total Non-Current Liabilities</b>		<b>75,513,728</b>	<b>93,548,193</b>
<b>Total Liabilities</b>		<b>369,286,650</b>	<b>406,287,553</b>
<b>Shareholders' Equity:</b>			
Capital Paid	1	2,025,000,000	2,025,000,000
Statutory Reserve	2	558,970,395	471,946,991
Additional Reserve		325,000,000	325,000,000
Retained Earnings		848,015,788	675,216,835
Un-Realizable Gain from Investments		136,372,045	101,867,176
<b>Total Shareholders' Equity</b>		<b>3,893,358,228</b>	<b>3,599,031,002</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>		<b>4,262,644,878</b>	<b>4,005,318,555</b>

The accompanying notes are an integral part of these financial statements



## Yamama Cement Company Saudi Joint Stock Company Statement Of Income

	Note	For The Year Ended December 31,	
		2013	2012
		SR	SR
Sales, Net		1,541,856,866	1,575,843,467
Cost of Sales		(660,824,829)	(661,762,067)
Gross Profit		881,032,037	914,081,400
Expenses:			
Selling & Distribution Expenses	16	6,523,597	6,693,966
General & Administrative Expenses	17	41,663,664	40,126,514
Depreciation of Fixed Assets	18	1,219,734	2,246,919
Provision for End of Service Indemnity		2,923,938	2,066,179
Total Expenses		52,330,933	51,133,578
Income From Main Activities		828,701,104	862,947,822
Financing Expenses		(3,641,995)	(6,962,046)
Other Income	19	86,174,926	24,571,109
Provision for Investments		(15,000,000)	(15,000,000)
Income For The Year Before Zakat		896,234,035	865,556,885
Provision for Zakat		(26,000,000)	(48,000,000)
Net Income For The Year		870,234,035	817,556,885
Earnings per share from main activities		4.09	4.26
Earnings per share from other activities		0.333	0.013
<b>Earnings per share</b>		<b>4.30</b>	<b>4.04</b>

The accompanying notes are an integral part of these financial statements

## Yamama Cement Company Saudi Joint Stock Company Statement Of Cash Flows

	For the year ended December 31,	
	2013	2012
	SR	SR
Cash Flows From Operating Activities		
Net Income for the Year	870,234,035	817,556,885
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation of Fixed Assets	183,398,988	190,367,867
Amortization of Deferred Expenses	7,093,801	8,806,871
Provision for Zakat	26,000,000	48,000,000
Provision for Spare Parts Obsolescence	5,000,000	5,000,000
Provision for End of Service Indemnity	10,659,518	9,321,267
Provision for Investments	15,000,000	15,000,000
(Gain) from Sale of Investments	(9,132,929)	-
(Gain) from Sale of Fixed Assets	-	(838,250)
(Gain) from Investment in portfolio	(15,088,245)	(2,767,373)
(Gain) from Investment in Affiliated Companies and free shares	(1,923,000)	(2,347,624)
(Gain) from Dividends Investment in Affiliated Companies	(9,309,636)	(5,687,519)
(Increase) in accounts receivable	23,620,429	(21,326,959)
(Increase) Decrease in Inventories	(94,440,587)	70,551,627
(Increase) Decrease in Other accounts receivable	(80,636,401)	152,552
(Decrease) Increase in Accounts Payable	(21,432,256)	77,574,406
Increase in Accrued expenses and other current liabilities	954,382	4,743,499
Changes in Related Parties	(139,184)	(2,022,740)
Zakat Paid	(33,668,298)	(29,122,766)
End of Service Indemnity Paid	(8,498,793)	(11,126,514)
Net Cash Flows From Operating Activities	867,691,824	1,171,835,229
Cash Flows From Investing Activities		
Decrease (Increase) in Islamic funds Investments	357,681,219	(383,085,000)
(Increase) Decrease long term Investments	(561,960,764)	24,901,782
(Addition) on property and equipment, Net	(27,883,958)	(30,074,070)
(Increase) in Deferred Expenses	(10,501,709)	-
Changes in Spare Parts Stock	(29,724,270)	(15,784,069)
(Increase) in Capital Work in Progress	(9,936,492)	(28,721,706)
Proceeds from Sale of Fixed Assets	-	838,250
Proceeds from Sale of Proceeds from Investments	13,020,929	-
Collection from Dividends Investment in Affiliated Companies	11,642,970	5,687,519
Net Cash Flows (used in) Investing Activities	(257,662,075)	(426,237,294)
Cash Flows From Financing Activities		
Installments Paid for Loans	(16,983,000)	(141,775,000)
Dividends & Other due paid to Shareholders	(602,055,238)	(569,721,141)
Previous Year Adjustments	(311,678)	(49,544,611)
Bones for shareholders	(2,600,000)	(2,400,000)
Net Cash Flows (used in) Financing Activities	(621,949,916)	(763,440,752)
Net increase in Cash	(11,920,167)	(17,842,817)
Cash At Beginning Of The Year	47,970,903	65,813,720
Cash At End Of The Year	36,050,736	47,970,903
Non-Cash Investing Activities		
Un-Realizable Gain from Investments	34,504,869	31,748,664
Transfer from capital works in Progress to fixed assets	26,022,035	27,444,044

The accompanying notes are an integral part of these financial statements

**Yamama Cement Company**  
**Saudi Joint Stock Company**  
**Statement Of Changes In Shareholder's Equity**

	Paid Capital	Statutory Reserve	Additional Reserve	Retained Earnings	Unrealizable Profit from Investments	Total
Balance at 1/1/2012	1,350,000,000	390,191,303	1,000,000,000	565,110,249	70,118,513	3,375,420,065
Adjustment for previous Year	-	-	-	(49,544,611)	-	(49,544,611)
Transferred from Reserves to capital	675,000,000	-	(675,000,000)	-	-	-
Net Income for the Year	-	-	-	817,556,885	-	817,556,885
Transferred to Statutory Reserve	-	81,755,688	-	(81,755,688)	-	-
Dividend to Shareholders	-	-	-	(573,750,000)	-	(573,750,000)
Directors' Remuneration	-	-	-	(2,400,000)	-	(2,400,000)
Unrealizable Profit from Investments	-	-	-	-	31,748,663	31,748,663
Balance as at December 31, 2012	2,025,000,000	471,946,991	325,000,000	675,216,835	101,867,176	3,599,031,002
Adjustment for previous Year	-	-	-	(311,678)	-	(311,678)
Net Income for the Year	-	-	-	870,234,035	-	870,234,035
Transferred to Statutory Reserve	-	87,023,404	-	(87,023,404)	-	-
Dividend to Shareholders	-	-	-	(607,500,000)	-	(607,500,000)
Directors' Remuneration	-	-	-	(2,600,000)	-	(2,600,000)
Unrealizable Profit from Investments	-	-	-	-	34,504,869	34,504,869
<b>Balance as at December 31, 2013</b>	<b>2,025,000,000</b>	<b>558,970,395</b>	<b>325,000,000</b>	<b>848,015,788</b>	<b>136,372,045</b>	<b>3,893,358,228</b>

The accompanying notes are an integral part of these financial statements

## NOTE 1 - THE COMPANY AND NATURE OF ITS BUSINESS

### A. The Establishment of The Company

Yamama Saudi Cement Company is a Saudi Joint Stock Company - formed by Royal Decree No. 15 dated 13/3/1381H – under Commercial Registration No. 1010001578 dated 18-4-1379H.

### B. The Nature of the Company's Activity

The Company's activities are the production and manufacturing cement as well as substances & derivatives in privilege zone in addition to the trading.

The annual production capacity of the factories is 6,000,000 tons clinker per year, which is approximately equal to 6,300,000 tons of cement.

### C. Capital

Approval of the Extraordinary General Assembly Of The Fourteen With The Dated Of 26/2/2012 They Decided To Increase Capital From 1,350 Million SR to Become 2,025 Million SR Dividends |To 202,500,000 Shares With A value of 10 SR Per Share And It Will Be Own For Personal And A global Institutions .

### D. Fiscal Year

The fiscal year of the company starts from first January to end of December every year.



## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Accounting Convention

The financial statements, which are expressed in Saudi Riyals (SR), have been prepared under the historical cost convention, and with the standard of general presentation and disclosure and in accordance with accounting principles generally accepted in Saudi Arabia and in accordance with the requirements of the regulations for companies and the company's articles of association.

### Inventory

- Stock of raw material, packing utilities etc. and products in process are valued at cost on moving weighted average method.
- Finished products stock is valued at cost or market price whichever is less.

### Fixed Assets

Fixed assets are recorded based on cost, which includes additions and improvements enhancing those asset's productivity and useful life. Depreciation is computed using the straight-line method over the estimated lifetime of the fixed assets based on the following:

	Consumption %
Buildings, Constructions, Roads and Facilities	3 % - 10 %
Plants & Machineries	7 % - 15 %
Vehicles & Transportation Vessels	25 %
Furniture & Office Equipment	10 %
Tools	20 %

Spare-parts of Plants & Machineries are valued at cost and on moving weighted average method.

### Deferred Revenue Expenses

It represents the expenses of overhaul of kilns & mills. It is amortized at 20% & 50% on straight line method.

### Investments

Investments by the Company in other Companies and its investments in financial securities and its revenues are recorded according to the generally accepted accounting standards as follows:

- a. Investments in affiliated companies, which the parent holds less than 50% and more than 20% are recorded according to equity method.
- b. The Company's investment in long term available for sale financial securities are evaluated and recorded at fair value at the end of the financial year, the difference is recorded as unrealized gains or losses in the stockholders equity's section.

### Related Parties

The related parties are being treated within the normal operations of the Company by the fair value of those transactions.

### **Provision for termination pay**

Provision has been made for end of service benefits payable to employees accumulated from beginning of services till the date of these financial statements as per Saudi Labour Law.

### **Statutory Reserve**

• In accordance with the Saudi Arabian Companies Law & Company's Article of Association that 10% of annual net income is required to be transferred to statutory reserve. Ordinary General Meeting of shareholders' has the right to discontinue such transfer when this reserve equal 50% of the capital. The reserve is not subject for distribution.

### **Revenue Recognition**

- Revenue is recognized upon issuance of sales orders and deliver the goods to clients.
- Revenue from investments in affiliated Companies which the Company owns more than 20% of capital according to financial statements issued for these Companies are calculated and recorded as per equity method.
- Revenue from investments in affiliated Companies which the Company owns less than 20% and less than 50% of capital is calculated and recorded when dividends are declared.
- Revenue from the lease of the Company's Building is recognized on maturity date and on pro-rata lease for the Year.
- The Revenue from short term investments bonds at banks is recorded on maturity date.

### **Sales and Marketing Expenses**

All manpower costs belong to sales and marketing department, advertising costs and sales and marketing of company's productions are recorded as sales and marketing expenses.

Advertising cost can be capitalized as deferred expenses in conditions sharing to have future benefits and not to spend it periodically during coming years and amortized on straight-line bases over their useful life or 5 years which is less.

### **Financial Charges**

Financial charges belong to the loans used in the current activities are recorded as expenses in the income statement of the year.

### **Administrative and General Expenses**

All expenses belong to the head office are recorded as administrative and general expenses, as well as the current expenses which was not included in cost of production or sales and marketing expenses.

### **Foreign Currencies**

Transactions in foreign currencies are recorded at exchange rates prevailing at the date of such transactions. At the balance sheet date, balances of monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyals at the prevailing exchange rates on that date. Gains and losses resulting from changes in the exchange rates are recognized in the statement of income.

### **Zakat**

- In accordance with regulations of the department of Zakat and Income Tax in the Kingdom of Saudi Arabia the Company is subject to Zakat. A provision is calculated for the estimated Zakat payable.
- The Company submitted its Zakat Declaration for the previous years till the year 2011 and Zakat accruals have been paid according to this.
- The Company got the Zakat certificate for the financial year 2011.

### NOTE 3 – CASH IN HAND AND IN BANKS

	As of December 31,	
	2013	2012
	SR	SR
Cash in Hand	135,630	11,309
Banks – Current Accounts	35,915,106	47,959,594
<b>Total</b>	<b>36,050,736</b>	<b>47,970,903</b>

### NOTE 4 – INVESTMENTS IN ISLAMIC FUNDS

Investments in Islamic fund represent the Company's investments in local banks which equals SR 1,217,595,307 on 31 December 2013 (SR 1,193,105,896 in 31 December 2012).

### NOTE (5) - ACCOUNTS RECEIVABLE

	As of December 31,	
	2013	2012
	SR	SR
Clients – Trade	281,231,651	310,808,789
Advance to suppliers	17,040,321	11,083,612
<b>Total</b>	<b>298,271,972</b>	<b>321,892,401</b>

### NOTE 6 - RELATED PARTIES

Dealing with related parties are in ordinary scope of work for the Company. Determining the value of those transactions by fair value.

	Nature of Relation	Type of Transactions	Opening Balance SR	Total Debit Movement SR	Total Credit Movement SR	Closing Balance SR
<b>Due from Related Parties:</b>						
Arabian Shield Co. operative Insurance Co. Saudi Joint Stock Co.	The Company Owns 3.79% of its Capital	Insurance	1,021,426	12,541,543	12,440,387	1,122,582
Cement Co. Yamani Joint Stock Co. Private	The Company Owns 20% of its Capital	Cash transfer	19,515,145	-	-	19,515,145
Cement Product Industry Co. Ltd.	The Company owns 33.33% of its Capital	Cash transfer	3,950,000	-	-	3,950,000
<b>Total</b>			<b>24,486,571</b>	<b>12,541,543</b>	<b>12,440,387</b>	<b>24,587,727</b>
<b>Due to Related Parties:</b>						
Cement Product Industry Co. Ltd.	The Company owns 33.33% of its Capital	Purchasing Packing Paper Bags	1,584,000	20,724,058	20,686,030	1,545,972

## NOTE 7 – INVENTORY

	As of December 31,	
	2013	2012
	SR	SR
Products in Process	133,620,169	49,252,124
Fuel & oil	10,295,456	6,281,686
Finished Products	10,239,460	4,676,983
Raw materials	288,662	5,774,407
Packing bags	6,105,860	121,172
Others	-	2,648
<b>Total</b>	<b>160,549,607</b>	<b>66,109,020</b>

## NOTE 8 - OTHER ACCOUNTS RECEIVABLE

	As of December 31,	
	2013	2012
	SR	SR
Sundries Receivables	42,555,755	2,399,311
Pre-paid expenses	867,646	1,021,250
Advances to Staff	6,916,977	8,177,101
Letters of credit	51,334,245	9,481,277
Others	106,444	65,727
<b>Total</b>	<b>101,781,067</b>	<b>21,144,666</b>

## NOTE 9 - FIXED ASSETS

		As of December 31,	
		2013	2012
		SR	SR
Property, plant and equipment, net	Note 9/1	1,392,794,752	1,548,309,782
ADD:			
Spare Parts Kilns and Machineries		317,226,998	287,502,728
Prov. for Spare Parts Mach. & Kilns		(31,416,178)	(26,416,178)
Spare Parts Kilns and Mach. Net		285,810,820	261,086,550
<b>Total</b>		<b>1,678,605,572</b>	<b>1,809,396,332</b>

## NOTE 9/1 – FIXED ASSETS

	Cost				Depreciation				Net Book Value: As at December 31	
	As at 01-01-2013	Additions during the Year	Disposal during the Year	As at December 31, 2013	As at 01-01-2013	Depreciation for the year	Disposal & Settlements	As at December 31, 2013	2013	2012
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
Land	12,234,510	-	-	12,234,510	-	-	-	-	12,234,510	12,234,510
Building, Construction Facilities & Roads	1,181,009,071	11,340,946	-	1,192,350,017	792,577,297	40,892,979	-	833,470,276	358,879,741	388,431,774
Plants & Machinery of the Factory	2,946,648,652	15,166,882	-	2,961,815,534	1,805,938,763	139,819,537	-	1,945,758,300	1,016,057,234	1,140,709,889
Vehicles and Transportation Vessels	20,553,676	801,000	1,203,567	20,151,109	16,175,347	1,711,114	1,203,567	16,682,894	3,468,215	4,378,329
Tools	7,315,370	-	-	7,315,370	7,315,364	-	-	7,315,364	6	6
Furniture & Office Equipment	11,466,086	575,130	1,815	12,039,401	8,910,812	975,358	1,815	9,884,355	2,155,047	2,555,275
<b>Total</b>	<b>4,179,227,365</b>	<b>27,883,958</b>	<b>1,205,382</b>	<b>4,205,905,941</b>	<b>2,630,917,583</b>	<b>183,398,988</b>	<b>1,205,382</b>	<b>2,813,111,189</b>	<b>1,392,794,752</b>	<b>1,548,309,782</b>

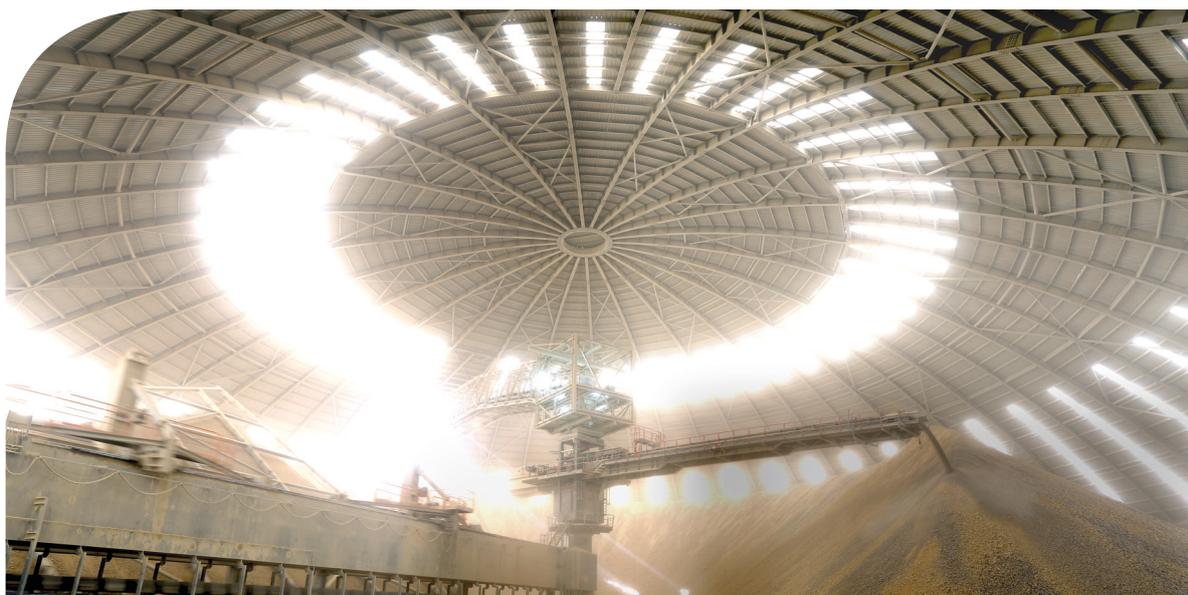
• The Company's factory along with its building and related facilities are erected on land owned by the Company from Riyadh Municipality according to deed No. 256/6 dated 12-5-1387H its book value is zero.

• The land of this factory is 4,816,250 M2 in Riyadh City owned by the Company according to deed No. 256/6 dated 12-5-1387H, along with its buildings and all facilities erected on it equipment & machineries are mortgaged in favour of Saudi Industrial Development Funds against the granted loan.

## NOTE 10 - CAPITAL WORKIN PROGRESS

	As of December 31,	
	2013	2012
	SR	SR
Line (6) filters project	20,158,641	5,345,528
Old Filling update project	19,807,436	17,071,402
Business Planning System	10,871,198	7,127,193
Improving Kilns (1-5)	10,132,057	6,062,101
Constructing new tank for raw oil	4,839,482	4,332,216
Line (7) Cooling project	3,990,757	3,944,308
Renewal of filters tower (5)	1,745,539	-
Evaluation of the factory environmental status project	1,649,800	1,649,800
Modification on Receipting scanner in Aramco station	1,629,275	-
New Management Building Project	1,043,232	15,000
Renewal cement balances and replace control system	919,348	586,977
Building (15) villa Project in factory	-	5,015,981
Transferring Kilns 3- 4 -5 dust to line 7's store	-	3,314,608
Automatically Transferring Chemical Materials to Tanks	-	2,723,800
Addition 50 Rooms to Staff Housing	-	1,534,710
Moving conditioning tower for mill (6)	-	1,271,000
Installation of sprinkle system for smothering (extinguishing) quarry dust project	-	1,217,799
Mechanical workshop renovation project	-	1,104,000
Implementation of planning and flagging inside factory	-	1,039,140
Other projects	2,886,313	5,820,213
<b>Total</b>	<b>79,673,078</b>	<b>69,175,776</b>





## NOTE 11 – LONG -TERM INVESTMENTS

	Equity %	As of December 31,	
		2013	2012
		SR	SR
<b>1. Investments in affiliated Companies:</b>			
Saudi Yamani Cement Co.-Yamani Closed Joint Stock	20%	75,060,000	75,060,000
Less: Provision for Investments		(30,000,000)	(15,000,000)
Net, Investment in Saudi Yamani co.		45,060,000	60,060,000
Cement Product Industry Co. Ltd., Jeddah	33.33 %	25,404,648	25,814,981
<b>Total</b>		<b>70,464,648</b>	<b>85,874,981</b>
<b>2. Investments in Securities:</b>			
Industrialization & Energy Service Co. (Joint Stock)	5.63 %	112,499,970	112,499,970
Sahara Petrochemical Co. (Join Stock Co.)	1.17 %	101,361,645	69,366,177
Al-Kian Petrochemical Co.-KIAN	0.625 %	6,250	6,250
Kian Saudi Petrochemical Co.-KIAN- (Joint Stock Co	0.0625 %	14,718,750	11,343,750
Arabian Shield Co-operative Insure. Co. – Joint Stock Co.	5 % - 3.79 %	26,646,400	47,900,000
Hail Cement Co. – Saudi Joint Stock	6.1 %	127,800,000	111,300,000
<b>Total</b>		<b>383,033,015</b>	<b>352,416,147</b>
<b>3. Investments in funds &amp; Real estate:</b>			
Investment In funds		50,000,000	-
Investment In Real estate		144,878,379	-
<b>Total</b>		<b>194,878,379</b>	<b>-</b>
<b>Total Investments</b>		<b>648,376,042</b>	<b>438,291,128</b>

## NOTE 12 - ACCOUNTS PAYABLE

	As of December 31,	
	2013	2012
	SR	SR
Suppliers	67,730,676	61,240,341
Advances from clients	91,498,413	119,421,004
<b>Total</b>	<b>159,229,089</b>	<b>180,661,345</b>

## NOTE 13 - LONG TERM LOANS

### Loan from Saudi Industrial Development Fund:

According to the loan No. 1878 dated Dhul-Hijjah, 1425H corresponding May, 12 2005 the company has obtained a loan from Saudi Industrial Development Fund with amount of SR 459,796,000 against the mortgage of land plot 4,816,250 M2 located in Riyadh and owned by the Company according to deed No. 256/6 dated 3/5/1387H. Along with its buildings, factory, installations, annexes as well as equipment, machineries, in addition to a promissory note signed by the Company's Managing Director.

The loan to be settled on unequal installments to be paid as on 15/2/1428H corresponding to 5/3/2007G. and ends on 15/8/1436H corresponding to 2/6/2015G. The movement of the loan was as follows:

	As of December 31,	
	2013	2012
	SR	SR
Balance at beginning of the year	48,117,000	189,892,000
Paid Installments during the Year	(16,983,000)	(141,775,000)
Balance at year end	31,134,000	48,117,000
Short portion of the loan	(20,756,000)	(16,983,000)
Long term portion of the loan	10,378,000	31,134,000

## NOTE 14 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	As of December 31,	
	2013	2012
	SR	SR
Staff Accrued	19,240,385	17,758,342
Sundries payables	2,835,938	3,342,599
Others sundries accrued	1,678,000	1,699,000
<b>Total</b>	<b>23,754,323</b>	<b>22,799,941</b>

## NOTE 15 - PROVISION FOR ZAKAT

### Zakat Estimated Calculation

The Company approximate Zakatable amount consists of the following :

	As of December 31,	
	2013	2012
	SR	SR
Net income per books adjusted by:	896,234,035	865,556,885
Provisions for the year	30,659,518	29,321,267
The adjusted net income	926,893,553	894,878,152
Total added items	3,150,150,581	2,815,684,043
Total subtracted items	(2,485,224,640)	(2,330,609,098)
Zakat Estimated base	1,591,819,494	1,379,953,097
Zakat Estimated due at 2.5%	39,795,487	34,498,827

## The transaction of Zakat provision was as follows:

	As of December 31,	
	2013	2012
	SR	SR
Balance at Beginning of the Year	47,575,084	28,697,850
Paid during the Year	(33,668,298)	(29,122,766)
Provided during the Year	26,000,000	48,000,000
Balance at End of the Year	39,906,786	47,575,084

The Company has obtained the final assessment for the year 2005 and submitted Zakat Declaration up to the Year 2012. The Company paid Zakat due according to these Declarations and obtained certificate for the Year 2012.

## NOTE 16 - SELLING AND MARKETING EXPENSES

	As of December 31,	
	2013	2012
	SR	SR
Salaries, Wages & Others	4,497,506	3,611,060
Shipping and Transportation	1,749,510	2,401,755
Fuel, Maintenance & Others	193,918	515,496
Advertisement & Publicity	-	75,800
Others	82,663	89,855
<b>Long term portion of the loan</b>	<b>6,523,597</b>	<b>6,693,966</b>

## NOTE 17 - GENERAL & ADMINISTRATIVE EXPENSES

	As of December 31,	
	2013	2012
	SR	SR
Salaries Wages & Others	31,872,202	31,304,895
Postage, Cable, Telephone & Subscription	1,403,282	754,771
Donation	1,470,800	993,550
Repairing and Maintenance	1,004,140	742,372
Water & Electricity	375,837	364,809
Insurance	211,512	249,315
Printing & Publicity	174,705	205,440
Issuing for warehouse and consumables	1,588,984	862,251
Advertisement	260,439	117,849
Others	3,301,763	4,531,262
<b>Total</b>	<b>41,663,664</b>	<b>40,126,514</b>

## NOTE 18- DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

	As of December 31,	
	2013	2012
	SR	SR
Buildings, Constructions, Facilities & Roads	40,892,979	41,381,615
Plants & Machineries	139,819,537	146,888,232
Vehicles & Transportation Vessels	1,711,114	1,008,465
Furniture & Office Equipment	975,358	1,089,555
<b>Total</b>	<b>183,398,988</b>	<b>190,367,867</b>
Less: Charged on Production & Service Divisions	(182,179,254)	(188,120,948)
<b>Total administrative depreciation</b>	<b>1,219,734</b>	<b>2,246,919</b>

## NOTE 19 - OTHER REVENUE

	As of December 31,	
	2013	2012
	SR	SR
Income from Investment	39,556,254	19,302,630
Gov. Subsidization for importing clinker share	39,857,026	-
Income from sailing scarabs and Dust	6,761,646	5,268,479
<b>Total</b>	<b>86,174,926</b>	<b>24,571,109</b>

## NOTE 20 - EARNING PER SHARE

Earnings per Share is calculated on the basis of Net Income Profits for the Fiscal Year, divided by the weighted average number of shares outstanding during the year.

## NOTE 21 – DIVIDENDS

The Board of Directors recommended to distribute total profit of the Year 2013 amounting to 607.5 million Saudi Riyals (607.5 million Saudi Riyals for 2012) at SR 3 per share, which represents 30% of capital. A phased distribution of SR. 303,75 million Saudi Riyals is distributed.

## NOTE 22 - APPROVAL OF THE FINANCIAL STATEMENTS:

The board of directors approved the financial statements for the year ended on 31 December 2013 on its meeting dated on 15/01/2014.

## NOTE 23 - SEGMENT INFORMATION

There is one operational sector for Cement Industry Co., and its derivatives, the Company is practicing its activities in Saudi Arabia.

## NOTE 24 - CONTINGENT LIABILITIES

The contingent liabilities are represented in the value of Letters of Guarantees issued by the Company in favor of others which equals 26,409 million Saudi Riyals on 31 December 2013 with same value in 31 December 2012.

## **NOTE 25 – FUTURE COMMITMENTS**

The Board of Directors on its meeting dated 30-12-2013 approved future Commitments amounting to S.R. 35,000,000 (2012G. is SR. 17,000,000).

## **NOTE 26 – THE FINANCIAL TOOLS**

The financial tools are related specially to the current assets which support the financial position of the Company and increase its ability to pay its obligations. From this aspect, the financial tools of the Company are cash in hands and current bank accounts, investments, accounts receivable, other receivables, and due from related parties. The financial obligations are accounts payable, accrued expenses, due to employees, installments of the loan due through the next year, due to related parties and Zakat provision. In the date of the financial statements, there is no substantial difference between the fair values of the financial tools and its book values.

## **NOTE 27 - RISK MANAGEMENT**

### **Credit Risk**

It is the failure of one part to fulfill his liabilities which causes a financial loss to the second part, there is no credit risk to be carried by the Company, whereas the Company is depositing the cash in a high credit level with a good reputation local banks. The Company also deals with local customers who have credibility and with holding the sufficient assurance which decrease the credit risks to its lower levels, also the amounts receivable from the local customers is recorded by realizable value.

### **Interest Risks**

It is the risks of financial instruments changes due to the changes of the current interest value in the market, influenced on balance sheet, cash flows, the Company is not having essential assets charged by interest during the Year ended 31 December 2011 or the previous year.

### **Liquidity Risks**

It is the failure of a firm to secure the required liquidity to meet current liabilities of financial tools, the Company manages liquidity risks through keeping current bank balances continuously which is equivalent to its current liabilities.

### **Currency Risks**

It is the risks of variation in the financial instruments due to exchange rates, the Company's main transactions in Saudi Riyals, US Dollars, EURO and Sweden Kroner. The Company manages currency risks by focusing on using currencies that have a stable or nearly stable exchange rate. The management also monitor fluctuation of exchange rates and consider the changes in currency risks are not essential.

## **NOTE 28 – Reclassification**

Certain prior years amounts have been reclassified to conform with presentation in the current year.

# اسمنت اليمامة

*Yamama Cement*

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