SAUDI CEMENT COMPANY

(A Saudi Joint Stock Company)

1431/1432 H – 2010 G

2010 Annual Report

For The 51st Ordinary General Assembly Meeting Held On
March 23, 2011G. 18 Rabi' II, 1432 H.

SASO QUALITY MARK

10A-002

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The Founder

King Abdulaziz Bin Abdulrahman Al Faisal Al Saud

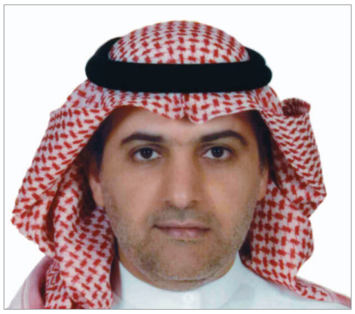
Custodian of the Two Holy Mosques

King Abdullah Bin Abdul Aziz Al Saud

His Royal Highness

Crown Prince Sultan Bin Abdulaziz Al Saud Deputy Prime Minister and Minister of Defence & Aviation

Board of Directors



Mr. Omar Sulaiman Al-Rajhi
Chairman

Sheikh Abdulkarim A. El-Khereiji
Board Member

Sheikh Mohammed S. Balghonaim
Board Member

Engineer: Abdulla Abdulrahman Al-Suhibani - Board Member

Sheikh Khaled Abdulrahman Al-Abdulkarim - Board Member

Mr. Fahad Abdullah Al-Saleh
Board Member

Sheikh Sami Ali Al-Juffali
Board Member

Mr. Hamad Abdulla Al-Olayan
Board Member

Sheikh Khaled Abdulrahman Al-Rajhi - Board Member

Sheikh Walid Ahmed Al-Juffali
Board Member & Managing Director

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

Vision - Mission and Values

VISION

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

MISSION

SCC is one of the premier cement producers in the Kingdom.

SCC shall be recognized as the best Cement Company in the region, with a reputation of having the highest standards in safety, health, environment, quality, costs, and advanced operation through a high performance team that is motivated and committed.

SCC shall exceed the expectations of its employees, customers, shareholders, and community.

VALUES

1. Profit

To achieve sufficient profit to provide an attractive return for our shareholders, and to finance our growth.

2. Customers

To provide our clients with quality products and services.

3. Our Employees

To provide an environment whereby our employees can excel, develop, and grow with the Company.

Operational Highlights

- SCC's sales volume of all cement types for 2010 reached to 6,742,422 tons compared to 5,586,774 tons for 2009, i.e. an increase of 1,155,648 tons or approximately 21%.
- Total quantity of clinker produced during 2010 amounted to 5,775,000 tons compared to a quantity of 6,724,026 tons for 2009.
- SCC's exports were restricted to bulk cement to the Kingdom of Bahrain only. The total quantity exported to Bahrain during 2010 has reached to 841,176 tons, compared to 752,657 tons in 2009, i.e. an increase of 88,519 tons or approximately 12%.
- The two new production lines are equiped with the latest technologies for dust collection that will lead to the highest standards in environmental protection and pollution control, which surpass MEPA's requirements. The Company has replaced the Electrostatic Precipitators (EPs) for kiln 6 by Bag House filters, hence completing the whole dust emission control system at SCC's plant to reach the least dust pollution levels for all its facilities as required by the authorities.
- SCC succeeded in operating and maintaining (with high efficiency), the new production lines 7 & 8 by its own manpower.
- SCC has maintained its supremacy in producing high quality types of cement products, and has the capability and flexibility to produce other types of cement, if that proves to be economically viable.
- SCC implemented technical and administrative training courses during 2010, for a number of (123) of its employees. Additionally, SCC carried co-operative & summer training to train college and university students in its cooperative & summer training programs.
- In August 2010, SCC has obtained successfully its ISO 9001:2008 certificate from a specialized and accredited German Company (TUV NORD) for the Hofuf and Ain Dar Plants.
- Board of Directors has agreed to subscribe together with other shareholders from Kuwait in a new "Closed Shareholding Company" in Kuwait, whose main activity is cement trading and distribution in Kuwait with a declared capital of KD10 million (SCC's share KD4 million).

Financial Highlights

Net Profit 659,527

2006	2007	2008	2009	2010
637,759	686,397	621,322	582,392	659,527

Total Sales 1,526,151

2006	2007	2008	2009	2010
1,200,235	1,361,950	1,259,612	1,345,875	1,526,151

Shareholders' Equity 3,371,238

2006	2007	2008	2009	2010
2,421,585	2,738,582	2,847,704	3,070,896	3.371.238

Total Assets 4,616,673

2006	2007	2008	2009	2010
2,704,581	3,860,734	4,530,067	4,930,770	4,616,673

All figures expressed in SR 000's

SR 000's	2006	2007	2008	2009	2010
Sales	1,200,235	1,361,950	1,259,612	1,345,875	**1,526,151**
Cost of Sales	(524,212)	(614,968)	(554,999)	(666,346)	**(757,245)**
Gross Profit	676,023	746,982	704,613	679,529	**768,906**
General Admin & Selling and Distribution Expenses	(62,757)	(74,191)	(98,932)	(81,890)	**(87,518)**
Operating Income	613,266	672,791	605,681	597,639	**681,388**
Other Income / Expenses	39,238	33,134	31,572	(143)	**(4,950)**
Zakat	(14,745)	(19,528)	(15,931)	(15,104)	**(16,911)**
Net Income	637,759	686,397	621,322	582,392	**659,527**

Production Capacities

Clinker

Annual Rated Capacity (tons)	11,200,000
Kilns	**No. x Capacity**
Tons per day	2 x 10,000
Tons per day	1 x 3,500
Tons per day	6 x 1,500
Tons per day	1 x 725
Tons per day	2 x 300

Due to export ban 10 kilns were shutdown , their yearly production capacity is 4,600,000 tons

Cement

Annual Cement Grinding Capacity (tons)	11,500,000
Cement Mills	**No. x Capacity**
Tons per hour	3 x 280
Tons per hour	2 x 160
Tons per hour	3 x 120
Tons per hour	2 x 80
Tons per hour (Total of 2 units)	68

Cement Mills of old lines will be used to grind Clinker quantities exceeding the grinding capacity of the new Mills

Types of Cement Produced

Ordinary Portland Cement (ASTM Type 1 Specifications)

Sulphate Resisting Cement (ASTM Type V Specifications)

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

Special Cement of any type & Specifications as per market demand

Board of Directors' Statement

"Respected Shareholders,

The Board of Directors welcomes you to the 51st Ordinary General Assembly Meeting of Saudi Cement Company (SCC) and thanks you for attending this meeting.

The Board is pleased to present to you the "Annual Report" for the year ended December 31, 2010 together with the Financial Statements and the Auditors' Report related to that year."

Net Profit (SR000's) **659,527**

2006	2007	2008	2009	2010
637,759	686,397	621,322	582,392	**659,527**

Activity - Production - Stock- Operation and Maintenance

Main Activity

Saudi Cement Company's (SCC's) main and only activity is the manufacture and trade of cement and cement related products. Hence the Company is not producing any other product.

Comments on the Company's operations and results related to that activity are as follows:

Production

Clinker Production

Total quantity of clinker produced during 2010 amounted to 5,775,000 tons compared to a quantity of 6,724,026 tons for 2009.

It is worth mentioning that due to the decision of export ban, the Company was obliged to shutdown all the old facilities as well as kiln 6 at Hofuf Plant. The shutdown of these facilities (done gradually starting from March 2009) is still continuing as of the date of this report. Kiln 6 status shall be reviewed semi-annually by Management in light of the latest developments on the export ban issue, local demand conditions, and clinker inventory levels.

Cement Production

Cement production for 2010 totaled 6,863,707 tons compared to 5,575,012 tons for 2009.

Clinker Stock

The clinker stock as of December 31, 2010 amounted to 2,026,705 tons, compared to a stock of 2,821,300 tons as of December 31, 2009, i.e. a decrease of 794,595 tons or approximately 28%.

The decrease in clinker stock levels was a result of the increase in total cement sales - locally & abroad – by about 21%, in addition to stopping of all old facilities and kiln 6 due to the export ban imposed by the government since 6/6/2008, and not yet lifted. It would have been possible to decrease clinker stock by more quantities if the ban on cement exports was lifted.

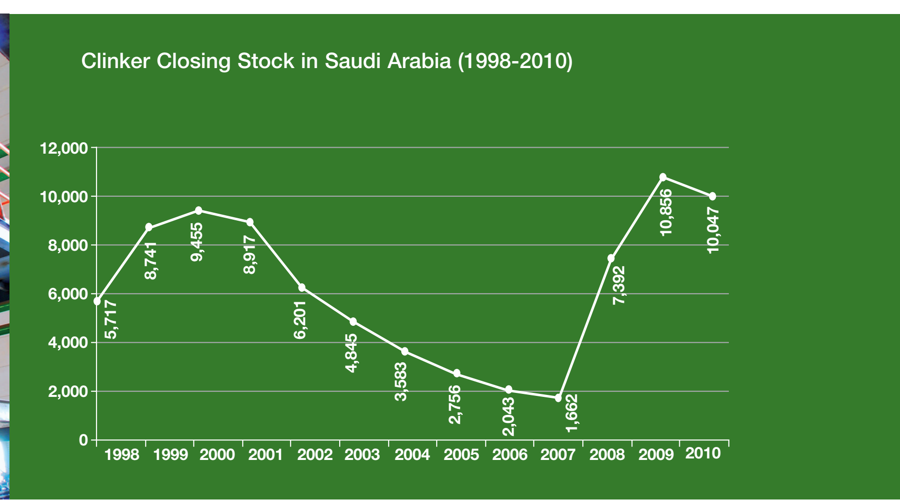
Operation and Maintenance

With the help of God Al-Mighty, SCC succeeded in operating and maintaining, (with high efficiency), the new production lines 7 & 8 by its own manpower. SCC resolved to recruiting adequate calibers and introducing intensive training of its manpower, hence enabling the replacement of the Chinese Contractor Messrs Sinoma.

This change of depending on SCC's own calibers has resulted in considerable savings of Company's production costs.

Operation and maintenance activities have been carried out with great efficiency. SCC continued to achieve good productivity of kilns, cement mills, and other production facilities. The new production lines have exceeded their rated capacities on various durations.

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



Marketing

MARKETING

Introduction

The local demand for cement in Saudi Arabia has improved during 2010 and reached to around 41.2 million tons, compared to a total demand of 36.7 million tons for 2009 i.e. an increase of 4.5 million tons or approximately 12.3%. Total cement sales in Saudi Arabia (locally & abroad) for the year 2010 reached to 42.8 Million tons.

Reciprocally, the total production in Saudi Arabia for the year 2010 was approximately 40 million tons of clinker (equivalent to around 42 million tons of cement), hence this resulted in a slight reduction in clinker stock by about 7.5%. The Clinker stock quantities available in all cement companies is, however, still huge and represents a high financial burden in unmoving stock, subject to deterioration in quality due to weathering.

In spite of the increase in local production coupled with the export ban, the clinker stock in all cement companies reduced to approximately 10 million tons at the end 2010 compared to 10.8 million tons only at the end of 2009 i.e. a decrease of about 0.8 million tons or approximately 7.5% (as indicated above), due to improvement in the local demand.

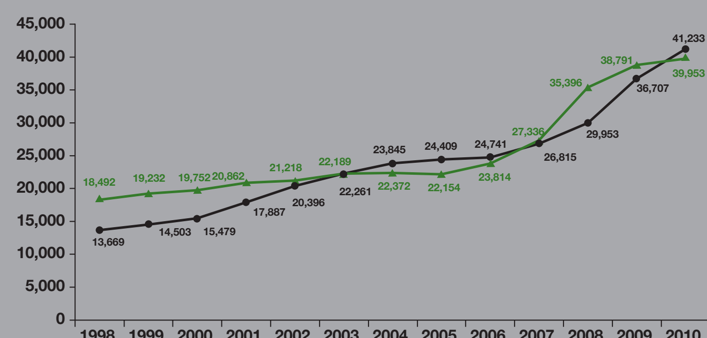
Total Sales

In spite of the ban on cement exports which took effect on 6/6/2008 (and still continuing as of date), the improvement in demand led to an increase in SCC's sales volume of all cement types for 2010, which reached to 6,742,422 tons compared to 5,586,774 tons for 2009, i.e. an increase of 1,155,648 tons or approximately 21%.

SCC could have exported the lion portion of its stock (after satisfying the requirements of the local market) by selling the excess stock to Gulf Countries mainly Bahrain, Qatar, and Kuwait. The export ban was fully exploited by Pakistan, India, China and of late UAE, who captured our market share in those markets.

The ongoing export ban has led to cancellation of the role of cement companies in supporting the diversification of national income as one of the strategic goals of our national government. In addition, the Company has lost the opportunity of generating much needed liquidity to settle its debt obligations to local banks.

Clinker Production & Cement Demand in KSA (1998-2010)

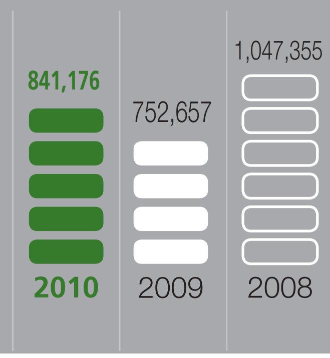


Export - Geographical Distribution of Sales Revenue

Total Exports

+12%

*Expressed in Tons



Cement and Clinker Exports

SCC's exports were restricted to bulk cement only to the Kingdom of Bahrain under the export ban exemption (restricted to 25,000 tons / week).

The total quantity exported to Bahrain during 2010 has reached to 841,176 tons, compared to 752,657 tons in 2009, i.e. an increase of 88,519 tons or approximately 12%.

No clinker was exported due to the export ban.

SCC would like to express its thanks and gratitude to the Custodian of The Two Holy Mosques, King Abdullah Bin Abdulaziz, HRH Crown Prince Sultan, Deputy Premier & Minister of Defence & Aviation, and HRH Second Deputy Premier & Minister of Interior Prince Naief for their continuous support to the development of national industries, hoping that complete lifting of the export ban on cement will be soon effected, hence resulting in a great benefit to the Saudi National Economy.

Geographical distribution of Sales Revenue

Most of cement sales were done locally in Saudi Arabia, and a small portion came from exports under the ongoing limited exemption from the export ban.

The exports were confined to Bahrain only.

The following table illustrates the geographical distribution of the Company's sales revenue for 2010:

SR (million)

Details	2010	2009
Local Market	1,382	1,177
Export Market	144	169
Total	1,526	1,346

Current & Future Plans - Environmental Protection

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

Current & Future Plans:

SCC's production is limited to its production from the facilities of its latest expansion project (production lines 7 & 8).

The production from these two new lines has stabilized recently to a great extent and the actual production exceeds in many instances the theoretical capacity for these lines (10,000 tpd of clinker each). Also, the two lines are working very efficiently in relation to product quality and the very low level of dust emission (less than 20 milligrams / normal m^3).

Risks facing the Company:

SCC's Executive Management does not foresee any significant risks facing the Company or might be facing it in the foreseeable future. However, the Company's profit might be affected negatively due to the continued ban on cement exports, accompanied by the huge clinker stocks (which reached by end of 2010 to 2.03 million tons on the Company level and 10 million tons on the overall cement industry of the Kingdom) and also the additional production capacity that will be added during the year 2011 and the following years from new green field plants and the commissioning of the current expansion projects for existing cement companies.

Environmental Protection and Pollution Control

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

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

SIDF - Islamic Financing

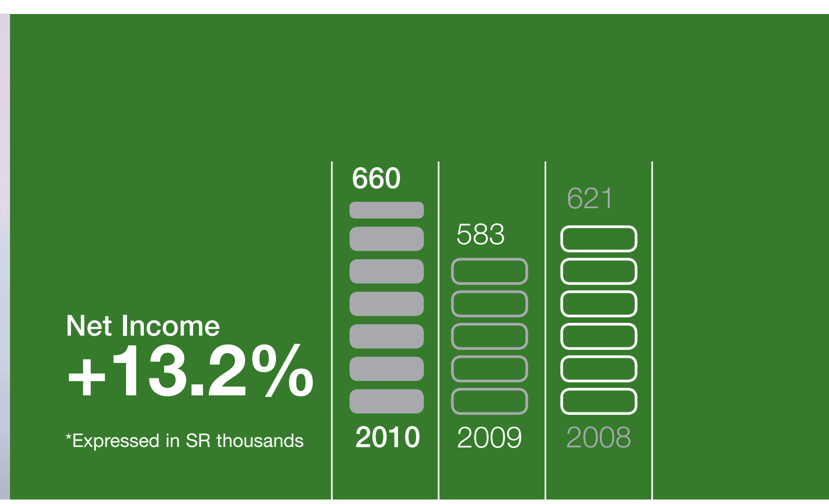
Loans

The Loans and Islamic Tawarruq from SIDF & Saudi Local Banks, (Riyad, Saudi Fransi, Al Bilad & Saudi British) as appeared in SCC's books for the year 2010, are summarized in the following table:

SR Million

The Bank	Original total loans	Balance as of 01/01/2010	Used during the year	Repaid during the year	Balance as of 31/12/2010
Riyadh	939	730	-	390	340
Fransi	440	-	-	-	-
Al-Bilad	357	272	-	272	-
SABB	200	-	200	100	100
SIDF	507	507	-	20	487
Total	2,443	1,509	200	782	927

SCC would like to express its thanks and gratitude to SIDF management and staff for their sincere endeavors to support SCC objectives. SCC also expresses its thanks and gratitude to the management and staff of the above local banks for the great confidence granted to our Company, and look forward to continued mutually beneficial relationships.



Hiring Saudi Nationals

Hiring and Training of Saudi Nationals

SCC implemented technical and administrative training courses during 2010, for a number of (123) of its employees. Additionally, SCC carried co-operative & summer training to train college and university students in its co-operative & summer training programs.

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

The percentage of Saudi workforce as at the end of 2010 has reached 54.7 % inspite of reducing numbers of employees due to stopping of old production lines as a result of export ban. SCC is adopting Saudization plan as a national strategic goal and will continue in this plan.

Social Responsibilities

Company's Social Contributions

SCC's social role has become greater and more noticeable. Contributions were made in cash and / or in kind. Some of these contributions were to official authorities involved in health care, education and other social services.

The following are examples of recipients of SCC's contributions:

Social charitable organizations, which are:

Al Ber in Eastern Province, Al Ber in Al Ahsa, Tahfeez Al-Qura'an in Eastern Province, Tahfeez Al-Qur'an in Al Ahsa, Al-Imran (Development), Fatat Al Ahsa, Al Oyoon, Al Hulilah, Al Mowasat, Al Fodul, Al Mansourah, Goud Ladies Social Charity Organization in Dammam, Qafilh Al khair for Social Services in Dammam, Al Ber in Kallabia, Al-Batalia, Al Marah, Al Tarf, Al Jasha, Al Jufer and Fatat Al Khalig for Ladies.

Specialized Charitable Organizations, which are:

Al Rahma (Medical Mercy), Saudi Charity Organization for Care of Cancer Patients, Cured Patients from Drugs & Mental Effects, Diabetes and Endo Crine Glands, Social Organization for Abandoning Smoking , Care Organization for Rehabilitation of Handicapped in Al Ahsa and Marriage Facilitate Organization in Al Ahsa.

In addition, SCC has sponsored some social occasions and celebrations as indicated below:

The Diamond Sponsorship for Al-Hajar Market organized by Chamber of commerce in Al Ahsa, the Silver Sponsorship for the summer festival in Al Ahsa (Hasana Fullah) and also sharing in the lightening bargain for drugs bad effects.

Trauma Center At National Guard Hospital:

On the dedication of SCC's Board of Directors to contribute to a productive social role benefiting the whole society, the Extra Ordinary General Assembly has agreed on 4/6/1431H corresponding to 18/5/2010 G to the Board of Directors' recommendation to allocate SR50 million (Saudi Riyals fifty million) out of the Agreeable Reserve for the purpose of constructing a Trauma Center at the National Guard Hospital in Al-Ahsa.

Thrift Saving Program - Quality Certificates

SCC continued to comply with quality standards of the Saudi Arabian Standards Organization, as well as the special quality requirements of the GCC countries

Thrift Saving Program for SCC employees.

The Company contributes to a Thrift Savings Program for its employees established on 11/5/1414H corresponding to 27/10/1993 to motivate them to exert their best efforts in servicing the Company, and increase their loyalty.

Following is the movement of the "Thrift Saving Program" account during the year.

Description	Amounts in SR
Balance at the beginning of the year	6,323,323
Additions during 2010	930,856
Deletions during 2010	965,359
Balance at the end of the year	6,288,820

Quality Certificates:

SCC obtained successfully its ISO 9001:2008 certificate from a specialized and accredited German Company (TUV NORD) for the Hofuf and Ain Dar Plants in August 2010. Such achievement reveals the commitment of SCC towards the full compliance and implementation of the quality management programs on all its administration and production / technical processes with the purpose of attaining the desired level of efficiency, effectiveness, and continuous improvement for all SCC's different sectors and functional lines.

Also, SCC continued to comply with quality standards of the Saudi Arabian Standards Organization (SASO), as well as the special quality requirements of the GCC countries, which have qualified SCC to obtain a GCC Quality Compliance Certificate.

SCC has also maintained the (CE) Certification of Conformity issued by the Belgian Certification Body (CRIC) for its products at Ain Dar Plant. In addition, SCC is targeting to achieve the (CE) Certification of Conformity for its products at Hofuf Plant through (CRIC) before the end of 2011.

Furthermore, SCC continued to abide by the specifications of the American Petroleum Institute (API).

Board of Directors Related Matters

Board Membership/classification.

The Board of Directors consists of eleven (11) members; the classification of each member is as indicated:

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

* Representative of General Organization for Social insurance.

** Representative of General Organization for Retirement.

Board Members' Meetings and Attendance.

The Board of Directors held meetings 4 (four) times during 2010 and their attendance register is as indicated:

	Attendance register			
Name of Board Member	24/2/2010	23/3/2010	30/6/2010	03/11/2010
Omar Sulaiman Al-Rajhi	✓	✓	✓	X
Walid Ahmed Al-Juffali	✓	✓	X	✓
Abdulkarim A. El-Khereiji	✓	✓	✓	✓
Mohammed S. Balghonaim	✓	✓	✓	✓
Abdulla Abdulrahman Al-Suhibani	✓	✓	✓	✓
Khaled Abdulrahman Al-Abdulkarim	✓	✓	✓	✓
Fahad Abdullah Al-Saleh	✓	✓	✓	✓
Sami Ali Al-Juffali	✓	✓	X	X
Hamad Abdulla Al-Olayan	✓	✓	✓	✓
Khaled Abdulrahman Al-Rajhi	✓	✓	✓	✓
Mohammed Ali Al-Garni	✓	✓	✓	✓

✓Attended X Absent

Board of Directors Related Matters (Continued)

Board of Directors & Executive Management's Remuneration

The Chairman and the Members of the Board did not receive any remunerations or privileges other than those clearly mentioned in the "Appropriation of Profits" which were made in accordance with Article (46) of SCC's Bylaws.

The following table reflects the remunerations for the Board Members, and the top five Executives of SCC:

In SR (000)s

Description	Executive Board Members	Nonexecutive Board Members	5 Top Executives including CEO & CFO
Annual Salaries	-	-	2,419
Annual Allowances	-	-	1,816
Annual Bonus	200	1,985	1,880
Annual Performance Incentives	-	-	2,209
Other annual compensation	216	134	-

Interests and Equity of Board Members, their wives and dependent children in the Shares or debt Instruments of the Company or any related companies:

Name	Beginning of the year		End of the year		Net change	Percentage of change
	No. of Shares	Debt Instruments	No. of Shares	Debt Instruments		
Abdulkarim A. El Khereiji	1,986,185	-	*3,113,391	-	134,113	0.0876
Mohammed S. Balghonaim	134,121	-	*201,181	-	-	-
Walid Ahmed Al-Juffali	3,000	-	*4,500	-	-	-
Abdulla Abdulrahman Al-Suhibani **	Not Owner	-	Not Owner	-	-	-
Khalid Abdulrahman Al-Abdulkarim	11,425	-	*17,137	-	-	-
Fahad Abdullah Al-Saleh ***	Not Owner	-	1,500	-	1,500	0.0009
Sami Ali Al-Juffali	1,000	-	*1,500	-	-	-
Hamad Abdulla Al-Olayan	1,000	-	*1,500	-	-	-
Mohammed Ali Al-Garni	1,000	-	*1,500	-	-	-
Omar Sulaiman Al-Rajhi	1,676	-	*2,514	-	-	-
Khalid Abdulrahman Al-Rajhi	8,137,335	-	*12,206,002	-	-	-

*Includes one free share against each two shares owned by the shareholders registered in the shareholders books on 4/6/1431H corresponding to 18/5/2010 whereby the extra ordinary general assembly agreed to increase the Company's capital from SR 1020 million to SR 1530 million i.e. 50%, consequently the number of shares raised from 102 million shares to 153 million shares.

** Representative of General Organization for Social insurance.

*** Representative of General Organization for Retirement.

Board of Directors Related Matters (Continued)

Interests and Equity of Executive Management, their wives and dependent children in the Shares or debt Instruments of the Company or any related companies:

Name	Beginning of the year		End of the year		Net change	Percentage of change
	No. of Shares	Debt Instruments	No. of Shares	Debt Instruments		
Hussain Bin Mansi Naser Abu Taki – Sales Manager	9,800	-	*14,700	-	-	-
Khalifa Bin Saad Al-Dakhil – Relations & Support Services Manager	322	-	*483	-	-	-
Saeed Bin Saleh Ahmad Al-Zahrani – Information Technology Manager	Not Owner	-	1,000	-	1,000	0.0006

*Includes one free share against each two shares owned by the shareholders registered in the shareholders books on 4/6/1431H corresponding to 18/5/2010 whereby the extra ordinary general assembly agreed to increase the Company's capital from SR 1020 million to SR 1530 million i.e. 50%, consequently the number of shares raised from 102 million shares to 153 million shares.

Increase in Capital by granting free shares:

The Extra Ordinary General Assembly in its meeting on Tuesday 4/6/1431 H corresponding to 18/5/2010 G at Dammam Sheraton Hotel has agreed on distributing profits in the form of free shares (one share for each two shares owned by the shareholders registered on the end of the day in which the extra ordinary general assembly was held).

As a result SCC's capital has been increased from SR1020 million to SR 1530 million i.e. 50% by increasing the number of shares from 102 million to 153 million shares. The increase in capital has been made by transferring SR510 million from the "retained earnings" account.

Consequently, Article # 7 "Increase in Capital" of the Company Bylaws has been amended to read as follows: "The Company capital has been defined in the amount of Saudi Riyals (1,530,000,000) only Saudi Riyals one billion five hundred and thirty million, representing (153,000,000 shares) only one hundred and fifty three million shares equal in value and fully paid, the nominal value of one share is SR10 only".

Contracts in which Board Members & Executive Management have interest:

There are no contracts by/with SCC in which any Board Member, Chief Executive Officer or Finance Manager or a related person has a material interest in them.

Board Members Holding Directorships in other Shareholders' Companies:

The following Board Members hold directorship in other shareholders' Companies:

Name of Board Member	Name of Company
Walid Ahmad AL-Juffali	- National Insurance Company
Khaled Abdulrahman Al-Rajhi	- Al-Bilad Bank - Saudi Telecom Company - Saudi United Company for Co- operative Insurance " Walaa" - Danah Gas Co. - UAE
Khaled Abdulrahman Al-Abdulkarim	Samba Financial Group
Abdulkarim A. Al- Khereiji	- Ice Arabian For Insurance Co.
Mohammed Ali Al-Garni – (Representative of Saudi Cement Company)	- United Cement Company (Bahraini closed corporation)
Hamad Abdullah Al-Olayan - – (Representative of Saudi Cement Company)	- United Cement Company (Bahraini closed corporation)

Audit Committee - Nominations & Remunerations Committee

Audit Committee:

The Audit Committee members were:

Hamad Abdulla Olayan	Chairman
Khalid Abdulrahman Al-Rajhi	Member
Dr. Ahmad Abdulla Al Maghamis	Member

The committee has performed its duties and responsibilities through five (5) meetings held during the year. Its most important duties and responsibilities were: Discussions of the Quarterly and yearly Financial Statements before being reported to the Board of Directors; recommendations to the Board for appointment, demission and determining the fees of the External Auditors; follow up of the work of the appointed External Auditors; studying the internal control system and giving a written report in this regard; supervising the Company's internal control department and studying its reports and following up on the implementation of its decisions & recommendations.

Nominations & Remunerations Committee:

The Nominations & Remunerations committee members were:

Walid Ahmed Juffali	Chairman
Abdulkarim Abdulaziz Al-Khereiji	Member
Khaled Abdulrahman Al-Abdulkarim	Member
Mohammed Ali Al Garni	Secretary

The committee has performed its duties and responsibilities through a meeting held during the year. The most important duties and responsibilities were: recommend to the Board the nominated members; review the Board members chart and recommend the possible changes that can be made; define clear and definitive policies for the compensation & remuneration of the Board members and the Executive Management on the basis of their performance; and ensure the independency of the independent Board members on yearly basis.

Associated Companies - Corporate Governance

Related Companies:

SCC owns shares in the following associated companies:

Company name	% age of ownership	Established at	Country of operation	Main activity
1. United Cement Company (Bahraini closed corporation) Issued shares one million @ one BD each and there are no debt instruments	36%	Bahrain	Bahrain	Handling and transporting cement in Bahrain
2. Cement Product Industry Co. Ltd. (Saudi Limited Liability Company)	33.33%	Jeddah, KSA	KSA	Manufacturing and selling of paper bags for cement packing

New investment in Kuwait

SCC's Board of Directors on Tuesday 3/12/1431 H corresponding to 9/11/2010 G, has agreed to subscribe together with other shareholders from Kuwait in a new "Closed Shareholding Company" in Kuwait, whose main activity is cement trading and distribution in Kuwait with a declared capital of KD10 million (SCC's share KD4 million). SCC will announce any future development and progress in this new venture.

Corporate Governance

SCC has already prepared its own Corporate Governance Charter, which was approved by the Board of directors on 22nd of Safar 1430H corresponding to 17/2/2009. SCC is currently applying all the Corporate Governance provisions, except the adoption of the cumulative voting method for the election of Board Members, which will be applied once it becomes mandatory.

Final Accounts

Final Accounts

General Disclosure:

The financial records were prepared in the proper manner according to generally accepted accounting principles appropriate to the nature of the Company, and with no deviation from GAAP promulgated by SOCPA. SCC has internal control procedures that are prepared properly and are applied effectively. There is no doubt whatsoever on the ability of SCC to continue as a going concern.

Results of Annual Audit of the effectiveness of internal control procedures

The Internal Audit Department of the Company implements a continuous operational audit program to ensure the effectiveness of internal control system in safeguarding the Company assets, and assess operational risks and the adequacy of performance effectiveness. The internal auditing programs did not show any material weakness in the internal control system of the company. Also, the External Auditors conduct usually an evaluation of that system within the process of their regular audit of the Company's final financial statements, and has the right of access to all the reports of the internal audit committee and the internal audit department reports for the period subject to their audit.

5 years' Balance Sheets:

(SR 000's)

Description	2010	2009	2008	2007	2006
Current Assets	870,476	1,035,064	699,564	882,296	1,066,656
Current Liabilities	735,555	1,299,140	1,319,795	1,035,176	212,635
Working Capital	134,921	(264,076)	(620,231)	(152,880)	854,021
Other Long Term Assets	378,088	338,238	2,960,688	2,029,755	601,511
Fixed Assets	3,368,109	3,557,468	869,815	948,683	1,036,414
Total Assets	4,616,673	4,930,770	4,530,067	3,860,734	2,704,581
Long Term Liabilities	69,080	73,934	92,568	86,976	70,361
Long Term Loans	440,800	486,800	270,000	-	-
Other Liabilities	-	-	-	-	-
Total Liabilities	1,245,435	1,859,874	1,682,363	1,122,152	282,996
Paid up Capital	1,530,000	1,020,000	1,020,000	1,020,000	1,020,000
Retained Earnings & Reserves	1,841,238	2,050,896	1,827,704	1,718,582	1,401,585
Shareholders Equity	3,371,238	3,070,896	2,847,704	2,738,582	2,421,585
Total Liabilities & Shareholders' Equity	4,616,673	4,930,770	4,530,067	3,860,734	2,704,581

Final Accounts (Continued)

5 years' Income Statements:

(SR 000's)

Description	2010	2009	2008	2007	2006
Sales	1,526,151	1,345,875	1,259,612	1,361,950	1,200,235
Cost of Sales	(757,245)	(666,346)	(554,999)	(614,968)	(524,212)
Gross Profit	768,906	679,529	704,613	746,982	676,023
General Admin and Selling & Distribution Expenses	(87,518)	(81,890)	(98,932)	(74,191)	(62,757)
Operating Income	681,388	597,639	605,681	672,791	613,266
Other Income	(4,950)	(143)	31,572	33,134	39,238
Zakat	(16,911)	(15,104)	(15,931)	(19,528)	(14,745)
Net Income	659,527	582,392	621,322	686,397	637,759

Operational results in the last two years

(SR'000)

Details	2010	2009	Changes	% of change	Reason
Profit from operation	681,388	597,639	83,749	14.01%	Increased production efficiency of the new production lines, achievement of more stable operation and increased local demand in the year 2010
Net Profit	659,527	582,392	77,135	13.24%	

Regulatory Payments

(SR'000)

Details	2010	2009
Zakat & Income Tax	24,878	17,664
General Organization for Social Insurance	750	721
Raw Materials Exploitation Fees	41,165	34,357

Profit Distribution Policy

Company's Profit Distribution Policy

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

1. 10% of the net profit to formulate the Statutory Reserve, and it is the right of the Ordinary General Assembly to stop contribution to that reserve when it reaches 50% of the paid up capital.
2. It is also the right of the Ordinary General Assembly based on Board of Directors' recommendation, to set aside not less than 5% of the net profit to formulate an agreeable Reserve.
3. Distribute out of the remaining profit the first portion of dividend to shareholders representing 5% of paid up capital.
4. After all the above appropriations, appropriate a maximum of 10% of the remaining profit as Directors Fees to the Board Members, but not to exceed the maximum limit of SR 200,000 to each member.
5. Subsequently, It is possible to distribute all (or part of) the remaining profit as additional Dividend to Shareholders, or carry it forward (totally, or partially) to next year, in accordance with Board of Directors' recommendation.

Appropriation Account

The Board of Directors recommends to distribute dividends for 2010, as shown here-below, for the registered shareholders as of Wednesday, 18th Rabi II 1432H, corresponding to March 23, 2011 in accordance with Article (46) of the Company Bylaws, and to effect the dividends payment on Sunday, 29 Rabi II, 1432H corresponding to April 3, 2011.

	(SR000s)
Net profit	659,527
Less: Statutory Reserve	65,953
	593,574
Less: First portion of dividend to shareholders – 5% of paid-up capital (SR1,530 millions)	76,500
	517,074
Less: Directors fees	2,200
	514,874
Add: Profits brought forward from previous year	1,111,711
	1,626,585
Less: Transfers to Paid up Capital	510,000
Less: Additional dividend to shareholders 35% of paid up capital (SR1,530 millions)	535,500
Balance to be carried forward for next year	581,085

Recommendation for distribution of Dividends for 2010

SR 4 per share

40% of paid-up capital

Board of Directors Recommendations

Board of Directors' Recommendations

The Board of Directors recommends the following resolutions to the forthcoming Ordinary General Assembly:-

1. Approve the Annual Report.
2. Approve the Financial Statements and the External Auditors' report for the year ended December 31, 2010.
3. Absolve the members of the Board of Directors from all responsibilities and obligations related to the previous period.
4. Approve the Board of Directors' recommendations for distribution of dividends for 2010 at the percentage of 40% of paid-up capital i.e. SR 4 per share.
5. Approve the appointment of the Company's External Auditors, as recommended by the Audit Committee, for the audit of 2011 year end financial statements, and review of quarterly preliminary financial statements and determine their fees or select other auditors.

Final Statement

The Board of Directors expresses its appreciation and gratitude to all SCC shareholders for their confidence and support and prays to God Almighty for His Blessings to our country and to our leaders, His Majesty the Custodian of the Two Holy Mosques King Abdulla Ibn Abdulaziz Al-Saud, and HRH Crown Prince Sultan Ibn Abdulaziz Al-Saud, and the Second Deputy Premier & Interior Minister HRH Prince Naief Ibn Abdulaziz Al-Saud.

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

May God bless you all.

The Board of Directors

Financial Statements and Auditors’ Report

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Auditors Report

To the Shareholders of
Saudi Cement Company
Dammam, Saudi Arabia

We have audited the accompanying balance sheet of Saudi Cement Company (A Saudi Joint Stock Company) as of December 31, 2010 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended including the related notes from 1 to 22. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of the Regulations for companies and presented to us together with all the information and explanations which we required. Our responsibility is to express our opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

- present fairly, in all material respects, the financial position of Saudi Cement Company as of December 31, 2010 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Saudi Arabia; and
- comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of financial statements.

For Dr. Mohamed Al-Amri & Co.

Gihad M. Al-Amri
Certified Public Accountant
Registration No. 362

27 Safar, 1432
January 31, 2011

Balance Sheet
as of December 31, 2010

	Note	2010 SR 000	2009 SR 000
ASSETS			
Current assets			
Cash and cash equivalents	3	90,739	186,816
Accounts receivable	4	213,509	154,859
Inventories	5	525,381	645,709
Prepaid expenses and other debit balances		40,847	47,680
Total current assets		870,476	1,035,064
Non-current assets			
Investments	6	68,836	71,839
Fixed assets, net	7	3,368,109	3,557,468
Capital work in progress	8	309,252	266,399
Total non-current assets		3,746,197	3,895,706
TOTAL ASSETS		4,616,673	4,930,770
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Islamic Tawarruq loans	9	440,000	730,000
Medium term loan – current portion		-	272,392
Saudi Industrial Development Fund (SIDF) loan - current portion	12	46,000	20,000
Accounts payable	10	41,069	69,083
Accruals and other credit balances	11	208,486	207,665
Total current liabilities		735,555	1,299,140
Non-current liabilities			
Saudi Industrial Development Fund (SIDF) loan	12	440,800	486,800
End-of-service indemnities	13	69,080	73,934
Total non-current liabilities		509,880	560,734
Shareholders' equity			
Paid up capital	1	1,530,000	1,020,000
Statutory reserve	14(a)	575,953	510,000
Voluntary reserve – appropriated for Trauma Center	14(b)	50,000	-
Voluntary reserve – un appropriated	14(b)	20,000	70,000
Retained earnings		1,195,285	1,470,896
Total shareholders' equity		3,371,238	3,070,896
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,616,673	4,930,770

The accompanying notes form an integral part of these financial statements

Statement of Income
Year ended December 31, 2010

	Note	2010 SR 000	2009 SR 000
Sales	4,6	1,526,151	1,345,875
Cost of sales	6	(757,245)	(666,346)
Gross profit		768,906	679,529
Selling and distribution expenses	16	(39,072)	(32,458)
General and administrative expenses	17	(48,446)	(49,432)
Operating income		681,388	597,639
Company's share in profit of associated companies	6	7,729	20,522
Islamic Murabaha income		252	163
Islamic loans charges		(21,522)	(29,533)
Others, net		8,591	8,705
Net income before zakat		676,438	597,496
Zakat	15	(16,911)	(15,104)
NET INCOME		659,527	582,392
Earning per share (SR)	20		
Earning per share from net income		4.31	3.81
Earning per share from continuing main operations		4.20	3.61
Earning per share from continuing other operations		0.11	0.20
Weighted average number of shares		153,000,000	153,000,000

The accompanying notes form an integral part of these financial statement

Statement of Stockholders' Equity

Year Ended December 31, 2010

	Note	Share capital SR 000	Statutory reserve SR 000	Voluntary reserve Trauma Center SR 000	Voluntary reserve un appropriated	Retained earnings SR 000	Total SR 000
January 1, 2009		1,020,000	510,000	-	70,000	1,247,704	2,847,704
Appropriation from retained earnings approved by the general assembly in 2009:							
Dividends	19	-	-	-	-	(357,000)	(357,000)
Directors' remuneration	19	-	-	-	-	(2,200)	(2,200)
Net income for 2009		-	-	-	-	582,392	582,392
December 31, 2009		1,020,000	510,000	-	70,000	1,470,896	3,070,896
Appropriation from retained earnings approved by the general assembly in 2010:							
Dividends	19	-	-	-		(357,000)	(357,000)
Directors' remuneration	19	-	-	-		(2,185)	(2,185)
Voluntary reserve appropriated for Trauma Center		-	-	50,000	(50,000)	-	-
Stock dividend	1	510,000	-	-	-	(510,000)	-
Transfer to statutory reserve		-	65,953	-	-	(65,953)	-
Net income for 2010		-	-	-	-	659,527	659,527
December 31, 2010		1,530,000	575,953	50,000	20,000	1,195,285	3,371,238

The accompanying notes form an integral part of these financial statement

Statement of Cash Flows
Year Ended December 31, 2010

	2010 SR 000	2009 SR 000
OPERATING ACTIVITIES		
Net income before zakat	676,438	597,496
Adjustments for:		
Depreciation	212,753	213,597
End-of-service indemnities	7,962	10,747
Islamic Murabaha income	(252)	(163)
Company›s share in profit of associated companies	(7,729)	(20,522)
Islamic loans charges	21,522	29,533
Gain on sale of fixed assets	(4,078)	(7,972)
	906,616	822,716
Changes in operating assets and liabilities:		
Accounts receivable	(58,650)	(24,958)
Inventories	120,328	(193,467)
Prepaid expenses and other debit balances	6,859	(7,781)
Accounts payable	(28,014)	(94,309)
Accruals and other credit balances	(9,546)	895
Cash from operations	937,593	503,096
Islamic loans charges paid	(22,837)	(29,248)
End-of-service indemnities paid	(12,816)	(29,381)
Zakat paid	(9,697)	(21,989)
Net cash from operating activities	892,243	422,478
INVESTING ACTIVITIES		
Additions to fixed assets and capital work in progress	(66,370)	(230,022)
Proceeds from sale of fixed assets	4,201	7,980
Dividends received from associated companies	10,732	17,881
Islamic Murabaha income received	226	125
Net cash used in investing activities	(51,211)	(204,036)
FINANCING ACTIVITIES		
Islamic Tawarruq loans	(290,000)	(207,917)
Medium term loan, net	(272,392)	272,392
Saudi Industrial Development Fund (SIDF) loan	(20,000)	236,800
Directors' remuneration paid	(2,185)	(2,200)
Dividends paid	(352,532)	(362,116)
Net cash used in financing activities	(937,109)	(63,041)
Net change in cash and cash equivalents	(96,077)	155,401
Cash and cash equivalents, January 1	186,816	31,415
CASH AND CASH EQUIVALENTS, DECEMBER 31	90,739	186,816
Non-cash transactions:		
Share capital increase by stock dividend (note1)	510,000	-
Transfer from prepaid expenses and other debit balances to fixed assets	-	46,145

The accompanying notes form an integral part of these financial statement

Notes to the Financial Statements

Year Ended December 31, 2010

1. ORGANIZATION AND ACTIVITIES

Saudi Cement Company ("the Company") was established as a Saudi Joint Stock Company in accordance with the Royal Decree No. 6/6/10/726 issued on 8 Rabi II, 1375H corresponding to November 23, 1955.

The principal activity of the Company is the manufacturing and selling of cement and related products.

The Company's share capital of SR 1,530,000,000 (2009: SR 1,020,000,000) consists of 153 million (2009: 102 million) fully paid shares of SR 10 each.

During the year, the shareholders in their Extra-ordinary General Meeting (EGM) of 4/6/1431 H (corresponding to 18/5/2010 G) approved a stock dividend at the rate of 1 share for every 2 shares held as of end of Tadawul's dealings on the date of the EGM. As a result the share capital was increased by SR 510 million, representing 51 million shares, through a transfer from retained earnings to the share capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the Kingdom of Saudi Arabia. The following is a summary of significant accounting policies applied by the Company:

a) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

b) Accounting convention

The financial statements are prepared under the historical cost and accrual basis.

c) Cash and cash equivalents

Islamic Murabaha that have a maturity date up to three months from the purchasing date are considered as cash and cash equivalents. Islamic Murabaha that have a maturity date of more than three months but less than one year from the purchasing date are classified as Islamic Murabaha in banks in a separate line under the current assets.

d) Inventories

Finished goods and work in process inventories represent the cost of raw materials, labour, materials and other overhead expenses. Raw material inventories are stated at the lower of weighted average cost or net realizable value. Paper bags, spare parts, maintenance consumables and others are valued on weighted average cost basis.

e) Investments

Investments in companies which are at least 20% owned and in which the Company exercises significant influence are recorded using the equity method, under which the investment is stated initially at cost and adjusted thereafter in the light of change in the Company's share of the net assets of the investee based on recent available financial statements of the investee company. These are referred to as associated companies. The Company's share in the associated companies' net income or losses for the year is included in the statement of income.

Notes to the Financial Statements (continued)
Year Ended December 31, 2010

f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Major expenditure incurred to improve the performance of machinery and equipment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Following are the annual depreciation rates:

Buildings, structures and installations	3%	-	5%
Machinery, equipment and improvements	3.25%	-	33%
Tools and transportation equipment	10%	-	25%
Furniture and fixtures	10%	-	25%

g) End-of-service indemnities

End of service indemnities, payable to employees upon their termination, are provided in the financial statements based on the employees' length of service, in accordance with Saudi Arabian Labor Law.

h) Sales

Sales are recognized upon delivery of the product (cement/clinker) to customers.

i) Selling and distribution and general and administrative expenses

Selling and distribution expenses represent, mainly, salaries and wages, transportation and other related expenses. All other expenses (other than production costs), are classified as general and administrative expenses. Allocations between general and administrative expenses and selling and distribution expenses are made on a consistent basis.

j) Employees' early retirement program

The Company has a voluntary early retirement program, which is granted to eligible employees at the Company's discretion. Employees qualifying for the early retirement scheme are required to choose one of two payment options, either in lump sum payment or monthly instalments. Under the lump sum payment option, the total amount paid is expensed in the year the employee retires. Under the monthly instalment payment option, a liability is established in the year of retirement for all future payments.

k) Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at rates of exchange prevailing at the time of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Saudi Riyals at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of income.

l) Impairment

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Notes to the Financial Statements (continued)
Year Ended December 31, 2010

m) Zakat

The Company is subject to the regulations of the Department of Zakat and Income Tax in the Kingdom of Saudi Arabia. Zakat is provided on accrual basis. The zakat provision is computed on the zakat base or adjusted net income whichever is higher. Any difference in the estimate is recorded in the income statement when the final assessment is approved.

n) Dividends

Dividend distributions are recorded in the year in which the General Assembly approves such distributions.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank balances and Islamic Murabaha with original maturities of three months or less:

	2010 SR 000	2009 SR 000
Cash on hand and banks	60,739	46,816
Islamic Murabaha with maturity of less than three months	30,000	140,000
	90,739	186,816

4. ACCOUNTS RECEIVABLE

	2010 SR 000	2009 SR 000
Trade receivable	178,384	129,194
Due from related parties	35,125	25,665
	213,509	154,859

Sales to four major customers represent 45 % (2009: 49%) of total sales. Dues from these customersat December 31, 2010 amounted to SR 126.4 million (2009: SR 109.4 million). These balances are fully covered by bank guarantees in favour of the Company.

5. INVENTORIES

	2010 SR 000	2009 SR 000
Finished cement and under process	197,861	306,019
Raw materials and paper bags	99,608	152,728
Spare parts, fuel and consumables	227,912	186,962
	525,381	645,709

The spare parts inventory primarily relates to plant and machinery and, accordingly, it is expected to be utilized over a period exceeding one year.

Notes to the Financial Statements (continued)

Year Ended December 31, 2010

6. INVESTMENTS

	Ownership Percentage	2010 SR 000	2009 SR 000
United Cement Company			
(Bahraini Closed Corporation)	36%	48,198	52,971
Cement Product Industry Co. Ltd.			
(Saudi Limited Liability Company)	33.33%	20,638	18,868
		68,836	71,839

The transactions entered into by the Company with associated companies are on an arm's length basis and are transacted in the normal course of the Company's activities. Such transactions are classified under regular account classifications. Following are the major transactions with related parties:

1) Sales to an associated company during the year amounted to approximately SR 125.88 million (2009: SR 170.8 million).

2) Purchases from an associated company during the year amounted to approximately SR 24.9 million (2009: SR 21.6 million), representing paper bags for cement packaging.

7. FIXED ASSETS, NET

	Land SR 000	Buildings, structures and installations SR 000	Machinery, equipment and improvements SR 000	Tools and transportation equipment SR 000	Furniture and fixtures SR 000	Total SR 000
Cost						
January 1, 2010	21,611	1,812,584	4,595,369	273,156	46,859	6,749,579
Additions/transfers	-	1,724	663	19,170	1,960	23,517
Disposals	-	(2,177)	(16)	(19,796)	(512)	(22,501)
December 31, 2010	21,611	1,812,131	4,596,016	272,530	48,307	6,750,595
Depreciation						
January 1, 2010	-	900,865	2,092,604	159,190	39,452	3,192,111
Charge for year	-	55,542	133,983	20,753	2,475	212,753
Disposals	-	(2,112)	(143)	(19,770)	(353)	(22,378)
December 31, 2010	-	954,295	2,226,444	160,173	41,574	3,382,486
Net book value						
December 31, 2010	21,611	857,836	2,369,572	112,357	6,733	3,368,109
December 31, 2009	21,611	911,719	2,502,765	113,966	7,407	3,557,468

a) "Buildings, structures and installations" include buildings and structures relating to Ain Dar plant and the export terminal at the port, with an approximate net book value of SR 38.2 million (2009: SR 64.1million), which are constructed on land owned by the Government under a lease contract expiring on Rabi II, 1435H and a contract expiring on Rabi I, 1439H, (corresponding to February 2014 and December 2017, respectively).

Notes to the Financial Statements (continued)
Year Ended December 31, 2010

b) The cost of fully depreciated property and equipment that are still in service amounted to SR 1,835 million as of December 31, 2010 (2009: SR 1,433 million).

8. CAPITAL WORK IN PROGRESS

a) During 2009, commercial production commenced for the two production lines of the fifth and sixth expansions. During the year an amount of SR 18.8 million (2009: 2,849 million) was transferred from capital work-in-progress to fixed assets.

b) Borrowing cost capitalized in capital work in progress during the year was SR nil (2009: SR 23.6 million).

9. BANK FACILITIES

The Company obtained Islamic financing facilities, in the form of short term loans, letters of credit and letters of guarantee from local banks for the purpose of financing the Company's fifth and sixth expansion projects and supporting projects. Some of these facilities are secured by promissory notes.

The outstanding balance of Islamic Tawarruq loans matures within a period not exceeding one year. Management believes that it has the ability to renew these loans if the need arises at the time of maturity. Therefore, it is expected that the loans amounts may be repaid over a period extending beyond the year 2011.

10. ACCOUNTS PAYABLE

	2010 SR 000	2009 SR 000
Trade payables	24,598	17,309
Due to related parties	2,160	1,987
Retentions on expansion contracts and supporting projects	14,311	49,787
	41,069	69,083

Retentions on expansion contracts and supporting projects represent a specified percentage retained from invoices received from the contractors against the work done. These amounts are retained until the construction work is finished.

11. ACCRUALS AND OTHER CREDIT BALANCES

	2010 SR 000	2009 SR 000
Dividends and other payable to Shareholders	95,747	95,184
Accrued expenses	55,850	78,251
Zakat payable (note 15)	24,878	17,664
Accrued vacations	4,733	6,834
Advances against cement sales	6,093	4,350
Other credit balances	21,185	5,382
	208,486	207,665

12. SAUDI INDUSTRIAL DEVELOPMENT FUND ("SIDF") LOAN

The Company obtained a loan from SIDF amounting to SR 596 million to finance the two expansion projects and supporting projects, out of which SR 506.8 million was received. The remaining amount will be received upon satisfying the fund's conditions. The loan is repayable in 15 unequal semi-annual installments commencing in February 2010 and ending in November 2016. The loan is secured by promissory notes and a primary mortgage of the related projects land and assets. The loan agreement requires the Company to maintain certain financial ratios during the loan period.

Notes to the Financial Statements (continued)

Year Ended December 31, 2010

13. END-OF-SERVICES INDEMNITIES

	2010 SR 000	2009 SR 000
Balance, January 1	73,934	92,568
Provision for end of service for the year	7,962	10,747
End of service paid during the year	(12,816)	(29,381)
Balance, December 31,	69,080	73,934

14. RESERVES

a) Statutory reserve

In accordance with the Regulations for Companies and the Company's Articles of Association, the Company established a statutory reserve by the appropriation of 10% of net income until such reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

b) Voluntary reserve

The Shareholders in their General Assembly Meeting held on 24 Shawwal 1415H (March 25, 1995) approved the Board of Directors' proposal to establish a reserve for the expansion of the Company's plant in Hofuf. After the completion of the expansion in 1996, the reserve was carried forward as a voluntary reserve.

The Shareholders in an Extra-ordinary General Meeting held on 4/6/1431H (corresponding to 18/5/2010 G) approved the appropriation of SR 50 million from the voluntary reserve for the purpose of building a Trauma Centre in the National Guards Hospital in Al-Ahsa for the treatment of people injured in accidents, as part of the social services provided by the Company to the community.

15. ZAKAT

a) Components of Zakat Base

Zakat base for the Company is comprised of the following:

	2010 SR 000	2009 SR 000
Non-current assets	3,746,197	3,895,706
Non-current liabilities	509,880	560,734
Stockholders' equity - opening balance	3,070,896	2,847,704
Net income before zakat	676,438	597,496

b) Provision for zakat

	2010 SR 000	2009 SR 000
Balance, January 1	17,664	24,549
Provision for the year	16,911	15,104
Payments during the year	(9,697)	(21,989)
Balance, December 31	24,878	17,664

Notes to the Financial Statements (continued)

Year Ended December 31, 2010

c) Zakat status

The Company has finalized its Zakat affairs up to year 2007. Final assessments for years 2008 and 2009 are still under review by DZIT.

16. SELLING AND DISTRIBUTION EXPENSES

	2010 SR 000	2009 SR 000
Salaries, wages and benefits	8,607	8,865
Transportation fees and export expenses	17,992	11,564
Depreciation	8,718	8,440
Other	3,755	3,589
	39,072	32,458

17. GENERAL AND ADMINISTRATIVE EXPENSES

	2010 SR 000	2009 SR 000
Salaries, wages and benefits	34,008	35,555
Training, employment and professional fees	1,769	2,197
Depreciation	2,893	2,071
Postage and phone	565	487
Stationery and printing	1,023	398
Board of directors meeting expenses and remuneration	350	365
Insurance	49	866
Travel and transportation	488	468
Others	7,301	7,025
	48,446	49,432

18. COMMITMENTS AND CONTINGENCIES

Outstanding commitments and contingencies as of December 31 were as follows:

	2010 SR 000	2009 SR 000
Capital commitments	30,733	101,748
Letters of credit	2,996	18,772
Letters of guarantee	53,956	90,028
Contracts for supply of raw materials	-	382

Notes to the Financial Statements (continued)

Year Ended December 31, 2010

19. DIVIDENDS

a) Dividends amounting to SR 357 million for 2009 were approved for distribution at the rate of SR 3.5 per share as per the proposal of the Board of Directors in their meeting dated February 24, 2010 which was subsequently approved by the General Assembly.

b) The Board of Directors proposed the following distributions for year 2010 to be recorded upon approval by the General Assembly (note 2-n):

	2010 SR 000	2009 SR 000
Dividends to Shareholders - SR 4.0 per share (2009 : SR 3.5 per share)	612,000	357,000
Directors' remuneration	2,200	2,200

c) Board of Directors' meetings expenses and directors remunerations paid during 2010 amounted to SR 2.54 million (2009: SR 2.54 million).

20. EARNING PER SHARE

- Earning per share is computed by dividing net income for the year by the weighted average number of shares outstanding.
- Earning per share from continuing main operations is computed by dividing operating income less finance charges and zakat by the weighted average number of shares outstanding.
- Earning per share for continuing other operations is computed by dividing total other income and expenses which are not directly attributable to the Company's main operations by the weighted average number of shares outstanding.
- If the number of shares changed without changing the shareholders equity (as the case of stock dividends), then the effect of this change on the number of shares outstanding is regarded as if this change has happened at the beginning of the year and the earnings per share for all comparative periods is re-calculated using the new number of shares outstanding.

21. SEGMENTAL INFORMATION

The Company has one operating segment engaged in the production of cement and related products. The Company carries out its activities mainly in the Kingdom of Saudi Arabia.

22. COMPARATIVE FIGURES

Certain figures for 2009 have been re-classified to conform with the current year's presentation.