Yanbu Cement Company (A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010 TOGETHER WITH AUDITORS' REPORT

Ernst & Young

10

-

-1

= 7

= }

= }

10

=3

•

B

-

=

mj

m N

Yanbu Cement Company (A Saudi Joint Stock Company)

1

1

130

1

1

3

× 3

3

*

* 1

* 1

*

* 1

100

30

3200

3

200

**

₩]

*

28

30

*

*

30 3

2/2

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010 TOGETHER WITH AUDITORS' REPORT



P.O. Box 1994 4th Floor, Al Nakheel Center, Medina Road Al Hamra District, Jeddah 21441 Saudi Arabia

Tel: +966 2 667 1040/+966 2 665 2076 Fax: +966 2 667 2129 www.ey.com/me Registration No. 45

AUDITORS' REPORT TO THE SHAREHOLDERS OF YANBU CEMENT COMPANY (A Saudi Joint Stock Company)

Scope of Audit

We have audited the accompanying consolidated balance sheet of Yanbu Cement Company (A Saudi Joint Stock Company) ("the Company") and its subsidiary as at 31 December 2010 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Company's board of directors and have been prepared by them in accordance with Article (123) of the Companies Regulations and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified Opinion

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

- 1. Present fairly, in all material respects, the financial position of the Company and its subsidiary as at 31 December 2010 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- 2. Comply with the requirements of the Regulations for Companies and the company's articles of association in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young

Ahmed Reda Certified Public Accountant License No. 356

21 Safar 1432 H 25 January 2011

Jeddah

Abdulaziz A. Alsowailim 277

Abdulaziz Alshubaibi 339

Fahad M. Al-Toaimi 354

Ahmed I. Reda 356

CONSOLIDATED BALANCE SHEET As at 31 December 2010			
135 at 31 December 2010		2010	2009
	Note	SR	SR
ASSETS			
CURRENT ASSETS			
Bank balances and cash		320,023,483	111,798,47
Investment deposit and investments in mutual fund Accounts receivable and other assets	3	17,087 169,841,203	182,917,67 144,424,62
Inventories	4	318,858,055	287,044,7
TOTAL CURRENT ASSETS	•	808,739,828	726,185,5
NON-CURRENT ASSETS	E	2 202 566 705	2 104 200 0
Property and equipment, net Deferred charges, net	5 6	3,283,566,785	2,104,399,0 166,5
TOTAL NON-CURRENT ASSETS	O	3,283,566,785	2,104,565,6
TOTAL ASSETS		4,092,306,613	2,830,751,1
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Bank facilities - current portion	7	200,431,448	4,659,5
Bank overdraft		1,019,858 206,278,230	4,702,3 42,268,8
Trade Accounts payable Dividends payable		56,261,642	57,297,
Zakat provision	14	12,417,296	11,533,2
Accrued expenses and other liabilities	8	144,463,190	116,917,2
TOTAL CURRENT LIABILITIES		620,871,664	237,378,9
NON-CURRENT LIABILITIES			
Bank facilities	7	870,601,385	118,431,
Employees' terminal benefits		48,619,015	40,653,
TOTAL NON-CURRENT LIABILITIES		919,220,400	159,085,
TOTAL LIABILITIES		1,540,092,064	396,464,
SHAREHOLDERS' EQUITY			
Authorized and fully paid capital	9	1,050,000,000	1,050,000,
Statutory reserve	10	525,000,000	525,000,
General reserve	11	523,715,604	358,854,
Retained earnings TOTAL EQUITY ATTRIBUTABLE TO		430,363,753	482,061,
SHAREHOLDERS IN PARENT COMPANY		2,529,079,357	2,415,915,
Minority interest		23,135,192	18,371,
TOTAL SHAREHOLDERS' EQUITY			
		2,552,214,549	<u>2,434,286</u> ,
TOTAL LIABILITIES AND SHAREHOLDERS			
EQUITY		<u>4,092,306,613</u>	2,830,751

CONSOLIDATED STATEMENT OF INCOME Year Ended 31 December 2010

	Note	2010 SR	2009 SR
Net sales Cost of sales		895,497,192 (430,726,999)	943,229,615 (433,687,920)
GROSS PROFIT		464,770,193	509,541,695
Selling and distribution expenses General and administration expenses	12 13	(10,110,214) (15,880,644)	(9,600,654) (14,246,000)
NET INCOME FROM MAIN OPERATIONS		438,779,335	485,695,041
Financial charges Other income		(73,672) 9,184,115	(218,580) 11,095,290
NET INCOME BEFORE ZAKAT AND			
MINORITY INTEREST		447,889,778	496,571,751
Zakat	14	(12,762,023)	(11,613,622)
NET INCOME BEFORE MINORITY INTEREST		435,127,755	484,958,129
Minority interest		(4,764,002)	(2,897,075)
NET INCOME		430,363,753	482,061,054
TO A DAILING DEED CHADE (EDOM NET INCOME			
EARNING PER SHARE (FROM NET INCOME FROM MAIN OPERATION)		4,18	4.63
EARNING PER SHARE (FROM NET PROFIT)		4,10	4.59

Year Ended 31 December 2010		
	2010	2009
	SR	SR
OPERATING ACTIVITIES		100 = 1 = 1
Net income before zakat	447,889,778	496,571,75
Adjustments for:		07 700 40
Depreciation	100,356,717	97,793,62
Amortization	166,571	222,12
Gain on disposal of property and equipment	(193,735)	(24,45
Employees terminal benefits, net	<u>7,965,058</u> 556,184,389	4,376,4 598,939,46
	220,201,205	2,2,2,0,0
Change in operating assets and liabilities:		
Accounts receivable and other assets	(25,416,578)	(9,694,48
Inventories, net	(31,813,316)	(16,147,17
Accounts payable	164,009,409	36,550,7
Accrued expenses and other liabilities	27,545,970	13,334,7
Zakat paid	<u>(11,877,990</u>)	(16,578,1
Net cash from operating activities	678,631,884	606,405,0
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,279,524,461)	(529,031,8
Proceeds from disposal of property and equipment	<u>193,735</u>	24,4
Net cash used in investing activities	(1,279,330,726)	(529,007,3
FINANCING ACTIVITIES		
Bank facilities	952,601,385	118,000,0
Settlement of bank facilities	(4,659,516)	(4,659,5
Bank overdraft	(3,682,481)	713,
Dividends paid to shareholders	(416,036,128)	(413,970,0
Dividends paid to minority shareholders		(1,200,0
Board of directors' fees	(2,200,000)	(2,200,0
Net cash used in financing activities	(626,023,260)	(303,316,0
DECREASE IN CASH AND CASH EQUIVALENTS	25,324,418	(225,918,3
Cash and Cash Equivalents at the beginning of the year (Note 2)	294,716,152	<u>520,634,</u>
*		

SUPPLIMENT NON-CASH INFORMATION
Retained earnings transferred to provision for extension

<u>164,861,054</u>

137,536,347

3

•)

•)

•

2)

120

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY Year Ended 31 December 2010

EQUITY ATRIBUTABLE TO SHAREHOLDERS' IN PARENT COMPANY	Note	2010 SR	2009 .SR
CAPITAL	9	1,050,000,000	1,050,000,000
STATUTORY RESERVE	10	525,000,000	525,000,000
GENERAL RESERVE	11		
Balance at the beginning of the year Transferred from retained earnings Balance at the end of the year		358,854,550 164,861,054 523,715,604	221,318,203 137,536,347 358,854,550
RETAINED EARNINGS			
Balance at the beginning of the year Net profit for the year Dividends Transferred to general reserve Board of Director's fees	11	482,061,054 430,363,753 (315,000,000) (164,861,054) (2,200,000)	559,736,347 482,061,054 (420,000,000) (137,536,347) (2,200,000)
Balance at the end of the year		430,363,753	482,061,054
TOTAL EQUITY ATRIBITABLE TO SHAREHOLD IN PARENT COMPANY	ERS'	2,529,079,357	<u>2,415,915,604</u>
MINORITY INTEREST		10 271 100	16,674,115
Balance at the beginning of the year Minority interests share in the profit for the year Dividends		18,371,190 4,764,002	2,897,075 (1,200,000)
Balance at the end of the year		23,135,192	18,371,190
TOTAL SHAREHOLDERS' EQUITY		2,552,214,549	2,434,286,794

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT 31 December 2010

1. ACTIVITIES

1

Yanbu Cement Company (a Saudi Joint Stock Company) is incorporated per Royal Decree No. M/10 of 24/3/1397H based on the Council of Ministers Resolution No. 1074 of 10/8/1394H, and registered in Yanbu City under Commercial Registration No. 4700000233 of 21/11/1398H pursuant to Ministry of Industry and Electricity Resolution No. 67/S of 17/3/1396H.

The Company is engaged in the manufacturing of ordinary Portland cement, resistant cement and

The consolidated financial statements comprise the accounts of the parent company, Yanbu Cement Company and its subsidiary as detailed below:

Company's Name	Country of Incorporation	Shareholding
Yanbu Saudi Kuwaiti Paper Products Company Ltd. (Formerly: Yanbu Al-Shuaiba Paper Products Company)	Kingdom of Saudi Arabia	60%

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 2.

The consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted in preparing the consolidated financial statements are as follows:

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and it's subsidiary, as stated in Note (1) after eliminating all inter-company transactions and balances.

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments.

Revenue recognition

Sales are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably, as the invoice value of goods supplied by the Company during the year, net of trade and quantity discount.

Accounts receivable

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Inventories

Raw material inventories, work-in-progress and spare parts are stated at the lower of cost or net realizable value. Cost of raw materials and spare parts is determined using the moving average method. The cost of work-in-progress includes direct materials, direct labor and any related overheads. Slow moving and obsolete spare parts are provided for and stated at net book value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT 31 December 2010

•)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) 2.

Property and equipment / depreciation

Property and equipment are stated at cost less accumulated depreciation and depreciated on a straight-line basis over the estimated useful lives of the assets. Subsidiary's paper production factory buildings, machinery and equipment are depreciated on the number of production units basis.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the asset are written down to their recoverable amount, being the higher of their fair value les costs to sell and their value in

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

Impairment and uncollectibility of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. If any such indicators exist the impairment is taken to consolidated statement of income.

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated income statement;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial
- For assets carried at amortised cost, impairment is the difference between carrying amount and the

Accounts payable and accruals

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

Provisions

Provisions are recognised when the company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Deferred charges

Deferred charges are amortized over the estimated useful life of 5 years.

According to Zakat financial accounting standard, Zakat provision for individual fiscal periods is measured and recognized in accordance with the provisions and rules of Saudi Arabian Zakat Regulations on accrual basis. The provision is separately charged to the consolidated statement of

Employee's terminal benefits

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

Cash and cash equivalents

For the statement of cash flow purposes cash and cash equivalents separately shown in the consolidated balance sheet comprise bank balances, cash in hand, time deposits and investments in mutual fund readily convertible to cash and has a maturity of 3 months or less as at the purchase

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT 31 December 2010

3

2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) 2.

Selling, distribution, general and administration expenses

Selling and distribution expenses are those specifically related to salesmen and other incidental selling expenses. All other expenses are classified as general and administration expenses.

Foreign currencies transactions

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

Borrowing cost

Borrowing cost are recognized on an accrual basis and charges to the statement of income.

3. ACCOUNTS RECEIVABLE AND OTHER ASSETS

Accounts receivable and other assets comprise of the following as at 31 December:

	2010 SR	2009 SR
Trade accounts receivable (*) Employees' advances (**) Prepaid expenses Deposits and other receivables Margins on letters of guarantee (Note 15) Margins on letters of credit (Note 15)	149,040,834 7,513,720 4,235,959 6,957,837 1,037,500 1,055,353 169,841,203	120,425,601 6,319,946 3,210,112 822,813 900,000 12,746,153 144,424,625

- Accounts receivable are secured by letters of guarantees and documentary letters of credit. (*) Based on past experience, unimpaired receivables are expected to be fully recovered. The largest five clients account for 78% of the Company's outstanding receivables (76% as at 31
- Employees' advances are secured by the end of the service benefits.

As at 31 December, the ageing of unimpaired receivables are as follows:

	Total SR	< 30 days SR	< 60 days SR	< 90 days SR	< 120 days SR	< 180 days SR	> 180 days SR
2010	149,040,834	45,645,701	32,096,337	31,185,970	7,252,554	9,198,384	23,661,888
2009	120,425,601	38,427,778	25,947,204	23,511,133	8,239,348	10,204,353	14,095,785

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT 31 December 2010

3

3

9

30

330 Carrier

20

een.

230

Side Toronto

20000

Sign was

4. INVENTORIES

Inventories are comprise following as at 31 December:

	2010 SR	2009 SR
Spare parts not for sale, net Work-in-progress Raw materials Packaging materials Oil and fuel Other materials	162,499,326 89,402,211 49,197,163 13,879,418 3,495,132 384,805 318,858,055	145,879,312 70,631,625 50,412,971 15,860,656 3,777,251 482,924 287,044,739

PROPERTY AND EQUIPMENT, NET 5.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Factory buildings Paper factory production buildings Buildings and other constructions Berth Machinery and equipment Paper factory machinery and equipment Vehicles and trucks Furniture and other assets	25 years 30 years 40 years 20 years 25 years Production units 4 -6.67 years 4 - 6.67 years
---	--

N 3 Ŋ) **9**)) Lands Cembert Congany (Acauce John Sick Company) and its Subsidiary & L

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2010

E3

5. PROPERTY AND EQUIPMENT, NET (continued)

Details of property and equipment as at 31 December are as follows:

Total 2009 SR	}		5,546,897,855	529,031,832	(0.610.670)	4.068.317.115		1,873,737,019	763 867.76	(7,512,572)	1.963.918.074		2,104,399,041
Total 2010 SR		2000	4,000,111,115	1,279,524,461	(11 705 385)	5,336,046,191		1,963,918,074	100,356,717	(11.795 385)	2,052,479,406	3,283,566,785	
Works in progress SR		303 104 167	026,104,467	1,215,269,676	,	1,949,671,202				ı		1,949,671,202	734,401,526
Furniture and other assets		16 104 750	601,401,01	2,830,695	(3.250.856)	15,774,598	077 007 0	3,138,118	2,744,040	(3.250.856)	9,291,962	6,482,636	6,395,981
Vehicles and trucks SR		859 500 95	000000000000000000000000000000000000000	1,000,744	(3,684,572)	53,972,015	45 831 131	17,100,07	3,711,893	(3,684,572)	45,858,442	8,113,573	10,194,517
Puper factory machinery and equipment		21.304.728	315,000	000,010	,	21,619,728	2,745,234	10000	828,910	ı	3,574,144	18,045,584	18,559,494
Machinery and equipment SR		2,466,111,569	55 031 601	700,120,00	(4,793,457)	2,516,349,713	1.411.730.406		78,703,235	(4,793,457)	1,485,640,184	1,030,709,529	1,054,381,163
Berth SR		16,740,608	1		ı	16,740,608	16,740,608		+		16,740,608	1	ı
Buildings and other constructions		59,821,048	4,446,540		(66,500)	64,201,088	21,420,110		1,401,482	(66,500)	22,755,092	41,445,996	38,400,938
Paper factory buildings SR	**	20,361,860	i		í	20,361,860	2,623,740		678,728		3,302,468	17,059,392	17,738,120
Factory Buildings SR		672,550,263	ı		ı	672,550,263	453,028,077	000 01	12,288,429		465,316,506	207,233,757	219,522,186
Land SR		4,805,116	ı		,	4,805,116	1			ı	r	4,805,116	4,805,116
Description	Cost:	Beginning of the year	Additions	Disaccola	Cisposais	At the end of the year Depreciation:	Beginning of the year	Charge for the year	Cuage for the year	Disposals	At the end of the year Net book value as at 31	December 2010 Net book value as at 31	December 2009

All property and equipment of fifty production line are mortgaged to Saudi Industrial Development Fund against long term loan from SIDF.

AT	inbu Cement Company (A Saudi Joint Stock TES TO CONSOLIDATED FINANCIAL STATE 31 December 2010	MENTS	
5.	PROPERTY AND EQUIPMENT, NET (continued	<i>3</i> 1)	
	Depreciation charge for the years ended 31 December		
	, and a second of		
		2010 SR	2009 SR
	Cost of production Selling and distribution expenses (Note 12)	99,021,182	96,429,00
	General and administration expenses (Note 12)	757,102 <u>578,433</u>	757,56 607,06
		<u> 100,356,717</u>	97,793,62
6.	DEFERRED CHARGES, NET		
	Deferred charges are comprised of the following as at	31 December:	
		2010	2009
	Deferred charges	SR	SR
	Less: Accumulated amortization	11,995,624 (11,995,624)	11,995,62 (11,829,053
			166,57
7.	BANK FACILITIES		
		2010	2220
		SR SR	2009 SR
	Bank facilities Current portion	1,071,032,833	123,090,964
	Non current portion	<u>(200,431,448)</u> <u>870,601,385</u>	(4,659,504 118,431,460
	Bank facilities comprise:		
1)		d bank facilities amounting	to SR 791 mill
	(2009: SR 118) from a local bank to finance the coinstallment of the unsecured loan is payable on 31 Ma	instruction of fifth production 2011.	on line. The f
2)	During the prior years Yanhu Saudi Kuwaiti Broduc	ota Circa de la companya della companya della companya de la companya de la companya della compa	anhu Al Churci
	construction contractor and finance local and family	valik facilities to cover	its obligations
	loan is secured by a guarantee from a partner (Y Company). The portion payable in 2011 amounting recognized under current liabilities	Yanbu Cement Company	ent required. T Saudi Joint Sta
	recognized under current liabilities.	ng to SR 431,448 (2009:	SR 4,659,504)
	During the annual		
3)	from Saudi Industrial David	oany obtained SR 150 millio	on (2009: SR N
3)	During the year the current year Yanbu Cement comp from Saudi Industrial Development Fund to finance The property and equipment of fifth production line a installments, the first insttillment is due on the 15 th of	the construction of the fift	h production li

30)

35

25 P

8**20**

230

200

8 3

Yanbu Cement Company (A Saudi Joint Stock Company) and its Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT 31 December 2010

ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables are comprised of the following as at 31 December:

	2010 SR	2009 SR
Accrued expenses Other payables	88,737,610 	89,585,320 27,331,900
	<u> 144,463,190</u>	116,917,220

9. **CAPITAL**

Capital is divided into 105 million shares of SR 10 each (2009: 105 million shares).

10. STATUTORY RESERVE

As required by with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its net income each year until it has built up a reserve equal to 50% of the capital. This having been achieved, the Company has resolved to discontinue such transfers. The reserve is not available for

PROVISION FOR EXTENSION 11.

On 3 March 2010 the ordinary General Meeting approved the transfer of remaining balance of retained earnings for the year ended 321 December 2009, after dividend payments and directors remuneration to provision for extension. The provision for extension was created to support future projects of the company.

SELLING AND DISTRIBUTION EXPENSES 12.

Selling and distribution expenses are comprised of the following for the years ended 31 December:

		2010 SR	2009 SR
E	Salaries, wages and other benefits End of service benefits Advertisement and publicity Depreciation (Note 5) GOSI Fees and subscriptions Other	6,364,353 902,899 476,180 757,102 325,338 70,031	5,712,497 691,296 786,279 757,560
			300,731 77,238
	One	<u>1,214,311</u> <u>10,110,214</u>	1,275,053 9,600,654

Ì

•

 \mathbf{M}

(3)

•)

89)

(**3**

D

88

(B)

339

200

84

36

139

88

E SEE

縫紋

(**1**)

(1)

E∰A.

323

K West

© **30%**

Yanbu Cement Company (A Saudi Joint Stock Company) and its Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT 31 December 2010

GENERAL AND ADMINISTRATION EXPENSES 13.

General and administration expenses are comprised of the following for the years ended 31

SR	2009 SR
10,404,612 1,950,714 578,433 549,981 304,899 166,571 555,608 18,000 1,351,826	9,465,069 1,231,944 607,061 481,857 339,281 222,120 633,495 18,000 1,247,173
	10,404,612 1,950,714 578,433 549,981 304,899 166,571 555,608 18,000

14. ZAKAT

- a) Zakat is calculated on basis of individual financial statements of the company and its
- b) The movement in Zakat provision as at 31 December is as follows:

	2010 SR	2009 SR
Balance at the beginning of the year Provided during the year Paid during the year	11,533,263 12,762,023 (11,877,990)	16,497,822 11,613,622 (16,578,181)
End of the year	12,417,296	<u>11,533,263</u>

c) Zakat status

Yanbu Cement Company (A Saudi Joint Stock Company)

Zakat assessment has been agreed with the Department of Zakat and Income Tax up to the year ended 31 December 2004.

The Company has filed its Zakat returns for the years ended 31 December 2005 through 2009. Zakat assessments for the years ended 31 December 2005 through 2009 are not yet raised by the DZIT.

Yanbu Saudi Kuwaiti Paper Products Company (Formerly: Yanbu Al-Shuaiba Paper Products

Company Ltd.)- subsidiary. Zakat assessments for the first fiscal period from 29 December 2004 through 31 December 2005 and the years ended 31 December 2006, 2007 ,2008 and 2009 have been agreed with the DZIT.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT 31 December 2010

•

)

શ્રુ)

)

)

(4 %

(

30)

1

9

D)

(**2**)

(\$50 (100)

(32)

(\$2)

15. COMMITMENTS AND CONTINGENCIES

As at 31 December 2010 the company has contingencies in the form of letters of guarantee amounting to SR 59,977,971 for which a margin deposit of SR 1,073,500 is paid (2009: SR 23,34,930 for which a margin deposit of SR 900,000 was paid) and documentary letters of credit amounting to SR 481,085,085 for which a margin deposit of SR 1,055,353 is paid (2009: SR 1,343,513,657 for which a margin deposit of SR 12,746,153 was paid).

16. RISK MANAGEMENT

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability. The Company is subject to interest rate risk on its interest bearing assets and liabilities including bank overdraft and facility. The management seeks to limit interest rate risk by monitoring the changes in interest rates.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its commitments associated with the financial liabilities as they arise. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Company's financial liabilities consist of accounts payable, accruals, other payables, bank overdraft and bank facilities - current portion. Substantially, all financial liabilities are expected to be settled within 12 months from balance sheet date and the company expects to have sufficient funds to do so. Current portion of bank facilities amounting to SR 871 is expected to be paid within six years from balance sheet date.

Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Letters of credit or otherwise obtaining letters of guarantee, as appropriate, as security. The five largest customers accounts for 78% of outstanding accounts receivable as at 31 December 2010 (2009: 76%).

With respect to credit risk arising from other financial assets of the Company including cash and cash equivalents and other assets the company's exposure to credit risks arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments.

Currency risk

Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rate. The Company is subject to fluctuations in foreign exchange in the normal course of business. The Company did not undertake significant transactions in currencies other than Saudi Riyal and US Dollar during the year.

17. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash, cash equivalents, accounts receivable and other assets. Its financial liabilities consist of accounts payable, accruals other payables, bank overdraft and bank facilities. The fair values of financial instruments are not materially different from their carrying values.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2010

18. PRINCIPLE SOURCES OF ESTIMATION UNCERTAINITY

Impairment of accounts receivable an estimate of the collective amount of accounts receivable is made when collection of the full amount is no longer payable. For individually significant amounts this estimation s performed on an individual basis. Amounts which are not individually significant, but which are past due are assessed collectively and an allowance applied according to the length of time past due.

Impairment of inventories

1 2

\$ 4

8 3

7.3

8

1000

1

6.2

i ij

3

1

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, and estimate is made of their net realisable value. For individually significant amounts this estimation is performed or an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and an allowance applied according to inventory type and the degree of ageing or obsolescence.

19 ERNIGS PER SHARE

Earnings per share from net profit from main operation the year are calculated by dividing net profit from main operations for the year by the weighted average number of shares outstanding during the year (105,000,000 shares). Earning per hare from net profit is calculated by dividing but profit for the year by the weighted average number of shares outstanding ng during the year (105,000,000) shares.