

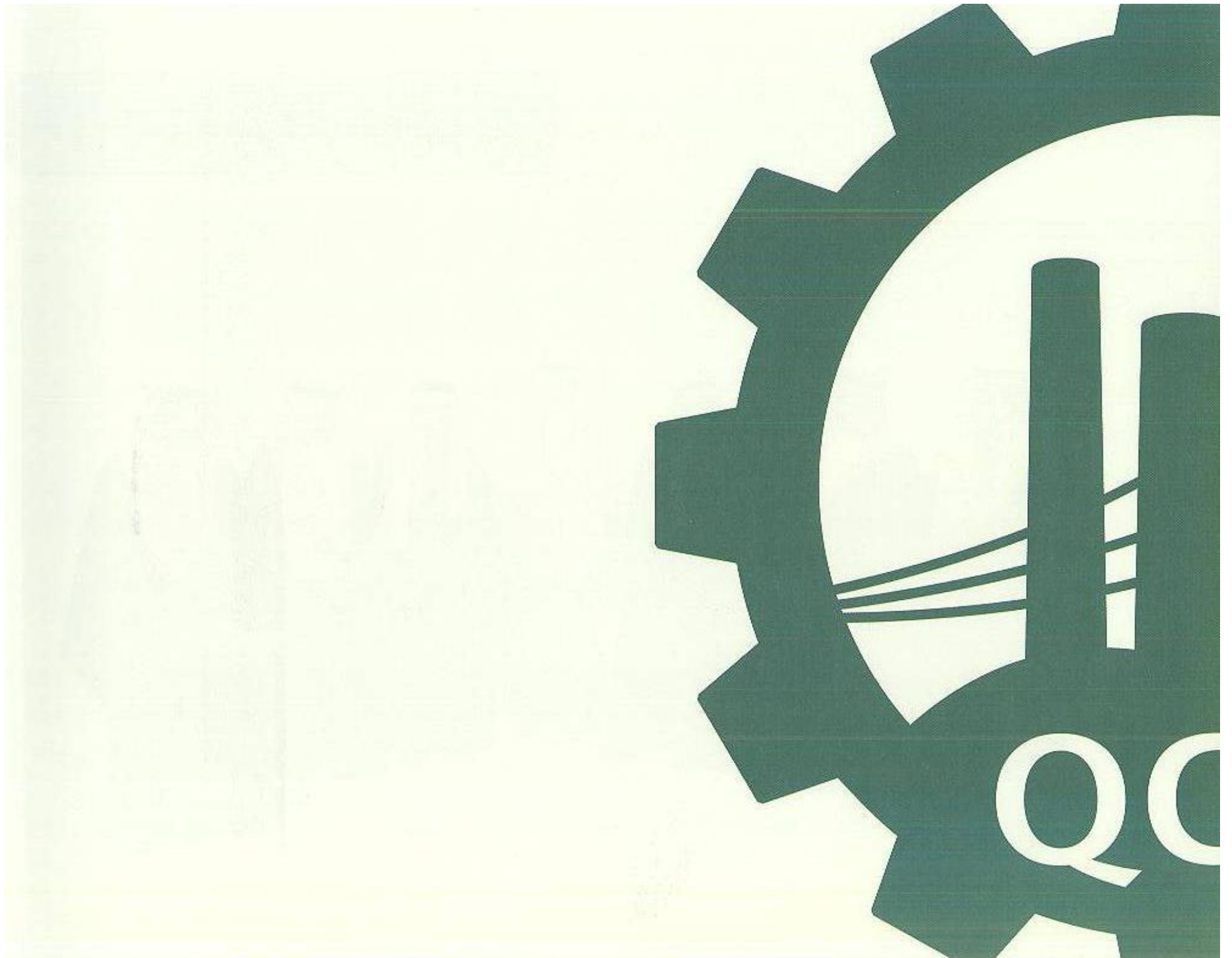
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أسمنت القصيم  
Qassim Cement

التقرير السنوي  
2009





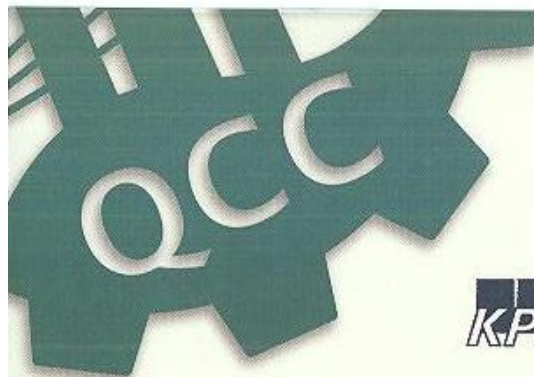




## Consolidated Financial Statements and independent auditors' report For the year ended at December 31, 2009

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**QASSIM CEMENT COMPANY**  
(Saudi Joint Stock Co.)

**AUDITORS' REPORT**

As At December 31, 2009  
(Saudi Riyals)

**31** Annual Report  
**2009**



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**AUDITORS' REPORT**

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

We have audited the accompanying consolidated financial statements of **QASSIM CEMENT COMPANY – Saudi joint stock company-** (the Company), which comprise the consolidated balance sheet as at December 31, 2009, and the consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes (1) through (27) which form an integral part of the consolidated financial statements.

**Management responsibility**

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



**Auditor responsibility**

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

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

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





QASSIM CEMET COMPANY  
(Saudi Joint Stock Co.)

AUDITORS' REPORT

As At December 31, 2009  
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**Opinion**

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

- 1) present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2009 and of its consolidated results of its operations, cash flows and changes in equity for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company; and
- 2) Comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of the consolidated financial statements.

Tarek Abdul Rahman Al Sadhan  
Licence No. 352



Riyadh on: 7/3/1431H  
Corresponding to: 21/2/2010G



QASSIM CEMET COMPANY  
(Saudi Joint Stock Co.)  
CONSOLIDATED BALANCE  
SHEET  
As At December 31, 2009  
(Saudi Riyals)

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
<b><u>ASSETS</u></b>			
<b>Current assets:</b>			
Cash and cash equivalents	(4)	15,595,454	336,278,786
Murabha term deposits		157,000,000	283,544,412
Trading investments	(5)	461,987,968	7,755,377
Trade receivables, net	(6)	46,002,634	51,918,774
Prepayments and other receivables, net	(7)	7,783,108	26,691,579
Inventories, net	(8)	193,606,519	206,840,130
<b>Total current assets</b>		<b>881,975,683</b>	<b>913,029,058</b>
<b>Non-current assets:</b>			
Property, plant and equipments, net	(9)	1,247,489,892	1,200,211,509
Capital work in progress	(10)	69,464,660	108,520,979
Deferred expenses, net	(11)	45,417,454	48,455,977
<b>Total non-current assets</b>		<b>1,362,372,006</b>	<b>1,357,188,465</b>
<b>Total assets</b>		<b>2,244,347,689</b>	<b>2,270,217,523</b>





QASSIM CEMET COMPANY  
(Saudi Joint Stock Co.)  
CONSOLIDATED BALANCE  
SHEET  
As At December 31, 2009  
(Saudi Riyals)

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2009

**LIABILITIES AND EQUITY**

**Current liabilities:**

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
Trade payables		11,633,700	29,451,170
Current portion of long term loans	(12)	55,000,000	44,000,000
Accrued expenses and other current liabilities	(13)	132,311,106	208,693,161
Dividends		32,943,117	32,502,385
Zakat Provision	(14)	20,931,919	14,789,044
<b>Total current liabilities</b>		<b>252,819,842</b>	<b>329,435,760</b>

**Non-current liabilities:**

Long term loans	(12)	144,500,000	199,500,000
Employees' end of service benefits	(15)	18,919,644	18,387,643
<b>Total non-current liabilities</b>		<b>163,419,644</b>	<b>217,887,643</b>
<b>Total liabilities</b>		<b>416,239,486</b>	<b>547,323,403</b>

**EQUITY**

**Shareholders' equity:**

Capital	(1)	900,000,000	450,000,000
Statutory reserve	(16)	85,200,428	225,000,000
General reserve	(17)	376,016,157	375,996,157
Retained earnings		467,980,168	672,576,318
<b>Total Shareholders' equity</b>		<b>1,829,196,753</b>	<b>1,723,572,475</b>
Minority interests		(1,088,550)	(678,355)
<b>Total equity</b>		<b>1,828,108,203</b>	<b>1,722,894,120</b>
<b>Total liabilities and equity</b>		<b>2,244,347,689</b>	<b>2,270,217,523</b>

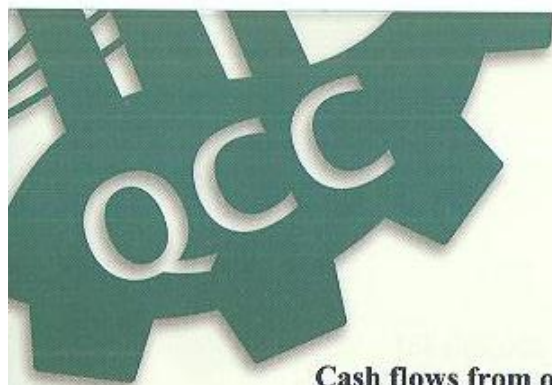
The accompanying notes (1) through (27) form an integral part of these consolidated financial statements



QASSIM CEMET COMPANY  
(Saudi Joint Stock Co.)  
CONSOLIDATED STATEMENT  
OF INCOME  
As At December 31, 2009  
(Saudi Riyals)

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
Sales		986,556,854	820,210,361
Cost of sales		(417,323,922)	(294,179,515)
<b>Gross profit</b>		<b>569,232,932</b>	<b>526,030,846</b>
Selling and marketing expenses	(18)	(6,099,418)	(5,754,031)
General and administrative expenses	(19)	(28,380,113)	(16,153,441)
<b>Operating Income</b>		<b>534,753,401</b>	<b>504,123,374</b>
Other income	(20)	98,725,541	29,541,434
Other expenses	(21)	(9,652,379)	(16,124,548)
		<b>89,073,162</b>	<b>13,416,886</b>
<b>Net income for the year before Zakat and minority interests</b>		<b>623,826,563</b>	<b>517,540,260</b>
Zakat provision	(14)	(22,232,480)	(1,473,137)
<b>Net income before minority interest</b>		<b>601,594,083</b>	<b>516,067,123</b>
Share of minority interests in the net loss of a subsidiary		410,195	678,355
<b>Net income</b>		<b>602,004,278</b>	<b>516,745,478</b>
<b>Earning per share from operations</b>	(22)	<b>5,94</b>	<b>5,60</b>
<b>Earning per share from other income and expenses</b>	(22)	<b>0,99</b>	<b>0,15</b>
<b>Earning per share from the net income</b>	(22)	<b>6,69</b>	<b>5,74</b>

The accompanying notes (1) through (27) form an integral part of these consolidated financial statements



QASSIM CEMET COMPANY  
(Saudi Joint Stock Co.)  
CONSOLIDATED STATEMENT  
OF CASH FLOW  
As At December 31, 2009  
(Saudi Riyals)

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**2009**

	<u>2009</u>	<u>2008</u>
<b><u>Cash flows from operating activities:</u></b>		
Net income	602,004,278	516,745,478
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation	87,216,770	85,927,241
Amortization of deferred expenses	6,804,093	7,320,692
Allowance for doubtful debts	320,000	-
Net loss on sale of property, plant and equipments	67,620	193,189
Unrealized loss/(gain) from valuation of trading investments	(2,852,406)	3,913,394
Net loss of subsidiary for the year ended 2007	-	2,361,686
Provision for other debt balances	420,000	69,294
Provision for slow moving and obsolete inventory	11,330,593	-
Zakat provision	22,232,480	1,473,137
Employees' end of service benefits provision	3,060,699	4,008,662
Share of minority interests in the net loss of a subsidiary	(410,195)	(678,355)
	<u>730,193,932</u>	<u>621,334,418</u>
<b><u>Changes in operating assets and liabilities:</u></b>		
Trade receivables	5,596,140	(6,578,655)
Prepayments and other receivables	18,488,471	(13,063,003)
Inventories	1,903,018	(76,730,573)
Accounts payables	(17,817,470)	4,248,902
Accrued expenses and other current liabilities	(76,382,055)	(103,243)
Employees' end of service benefits paid	(2,528,698)	(1,873,695)
Zakat paid	(16,089,605)	(16,158,449)
<b>Net cash provided by operating activities</b>	<u>643,363,733</u>	<u>511,075,702</u>





QASSIM CEMET COMPANY  
(Saudi Joint Stock Co.)  
CONSOLIDATED STATEMENT  
OF CASH FLOW  
As At December 31, 2009  
(Saudi Riyals)

	<u>2009</u>	<u>2008</u>
<b>Cash flows from investing activities:</b>		
Murabha term deposits	126,544,412	(222,607,757)
Additions to property, plant and equipments	(45,805,180)	(14,642,062)
Capital work in progress	(53,236,401)	(89,027,513)
Trading investments	(451,380,185)	
Deferred expenses	(340,943)	(234,275)
Proceeds from sale of property, plant and equipments	110,500	63,000
<b>Net cash used in investing activities</b>	<u>(424,107,797)</u>	<u>(326,448,607)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from long term loans	-	27,350,000
Payments for long term loans	(44,000,000)	(26,000,000)
Dividends paid	(494,559,268)	(307,977,747)
Board of directors remuneration	(1,380,000)	(1,557,143)
<b>Net cash used in financing activities</b>	<u>(539,939,268)</u>	<u>(308,184,890)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(320,683,332)</u>	<u>(123,557,795)</u>
Cash and cash equivalents at the beginning of the year	336,278,786	459,836,581
<b>Cash and cash equivalents at the end of the year</b>	<u>15,595,454</u>	<u>336,278,786</u>

The accompanying notes (1) through (27) form an integral part of these consolidated financial statements



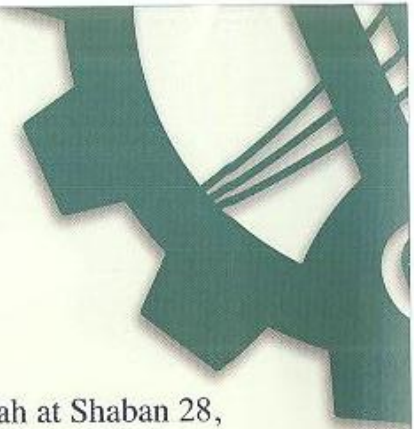
QASSIM CEMET COMPANY  
(Saudi Joint Stock Co.)  
CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY  
As At December 31, 2009  
(Saudi Riyals)

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	Notes	Capital	Statutory Reserve	General Reserve	Retained Earnings	Total shareholders equity	Minority interest	Total
Balance at January 1, 2008		450,000,000	225,000,000	375,753,300	472,630,840	1,523,384,140	--	1,523,384,140
Net income		--	--	--	516,745,478	516,745,478	--	516,745,478
Dividends		--	--	--	(315,000,000)	(315,000,000)	--	(315,000,000)
Board of directors remuneration		--	--	--	(1,800,000)	(1,800,000)	--	(1,800,000)
Transferred from Board of directors remuneration	(17)	--	--	242,857	--	242,857	--	242,857
Share of minority interests in the net loss of a subsidiary		--	--	--	--	--	(678,355)	(678,355)
<b>Balance at December 31, 2008</b>		<b>450,000,000</b>	<b>225,000,000</b>	<b>375,996,157</b>	<b>672,576,318</b>	<b>1,723,572,475</b>	<b>(678,355)</b>	<b>1,722,894,120</b>
Transfer to capital increase		450,000,000	(200,000,000)	--	(250,000,000)	--	--	--
Net income		-	-	--	602,004,278	602,004,278	--	602,004,278
Transfer to statutory reserve		-	60,200,428	--	(60,200,428)	--	--	--
Dividends	(24)	-	-	--	(495,000,000)	(495,000,000)	--	(495,000,000)
Board of directors remuneration		-	-	--	(1,400,000)	(1,400,000)	--	(1,400,000)
Transferred from Board of directors remuneration	(17)	-	-	20,000	--	20,000	--	20,000
Share of minority interests in the net loss of a subsidiary		-	-	--	--	--	(410,195)	(410,195)
<b>Balance at December 31, 2009</b>		<b>900,000,000</b>	<b>85,200,428</b>	<b>376,016,157</b>	<b>467,980,168</b>	<b>1,829,196,753</b>	<b>(1,088,550)</b>	<b>1,828,108,203</b>

The accompanying notes (1) through (27) form an integral part of these consolidated financial statements





## **1. Organization and activity:**

Qassim Cement Company, (the Company) is a Saudi Joint Stock company registered in Buraidah at Shaban 28, 1398H (corresponding to August 2, 1978G), under Commercial Registration No. 1131001224, The company was established by the Royal Decree No. M/62 on Shaban 15, 1396H (corresponding to August 11, 1976G).

As per the resolution issued by the company's extraordinary general assembly that was held on Dhul Qeda 28, 1430H (corresponding to November 16, 2009) where it was agreed to increase the company's capital from SR. 450 million (equivalent to 45 million share) to SR. 900 million (equivalent to 90 million share) representing 100% increase through the use of SR. 200 million from statutory reserve and SR. 250 million from retained earnings. Such increase occurred by stock dividend to each paid share, priority will be given to registered shareholders in company's records retained in Securities Data Centre at the end of transaction day where the meeting was held. The above mentioned stock dividends were added to the shareholders investment portfolio on Dhul Heja 24, 1430H (corresponding to November 21, 2009). Legal procedures aimed to amend the company's commercial registration is in progress, the general assembly approved the amendment of the company's period to be 99 Gregorian years commencing from the date of Minister of commerce resolution declaring the company's incorporation.

The principal activities of the company are to manufacture and sale of cement and its related products and other related direct activities. The company's registered office and factory are located in Buraidah city, Qassim.

The accompanying consolidated financial statements include the activities of the company and the activities of Cement industries limited Company, a limited liability company (the subsidiary) registered in Buraidah under commercial registration no. 1131024146 dated Rajab 22, 1428H (corresponding to August 6, 2007). On Ramadan 19, 1430H (corresponding to September 9, 2009) the partners of the subsidiary decided to increase its capital





QASSIM CEMET COMPANY  
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from SR. 500,000 to SR. 50 million through the credit balance of the company recorded in the subsidiary's books and to change the ownership interest percentages of the partners as per the following:

The partners	Ownership interest percentage	
	Before increase	After increase
Qassim Cement Company	95%	99%
Mr. Abdullah bin Abdullatif Al Seif	5%	1%

The subsidiary's commercial registration was amended by the capital increase on Ramadan 19, 1430H (corresponding to September 9, 2009), the principal activities of the subsidiary are the production, wholesale and retail trading in ready mix concrete, blocks, tiles and cement products.

## **2. Basis of preparation:**

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





board of directors on Rabie I 7, 1431H (corresponding to February 21, 2010G).

The company's financial year starts at 1<sup>st</sup> January and ends at 31 December in accordance with the company's articles of association.

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

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

### **3. Significant accounting policies:**

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

#### **a) Basis of consolidation**

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





The financial statement of subsidiary prepared at the same year end date of the company and by relevant accounting policies applied. For the purpose of preparing the consolidated financial statements, all intragroup balances and financial transactions resulting from transactions between the Company and the subsidiary are eliminated. Also, any unrealized gains or losses arising from intragroup transactions are eliminated.

**b) Cash and cash equivalents**

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

**c) Trading Investments**

Investment in trade securities which are purchased for trading purposes are initially recorded at cost and then remeasured and stated in the balance sheet at market value and included under current assets. Realized gain or loss on sale of trade securities and any unrealized gain or loss resulted from changes in market value at balance sheet date are credited or charged to income statement.

If the fair value of such investments is not determined, then the securities will be valued by cost.





d) Accounts receivables

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

e) Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion (if any) and selling expenses. Provision is made for slow moving and obsolete inventory.

f) Property, plant and equipment

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

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the



item of property, plant and equipment. All other expenditure is recognized in the income statement when incurred.

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

	<u>Years</u>
Buildings	10 - 33
Machinery & Equipments	8 - 20
Vehicles	4 - 8
Furniture and fixtures	3 - 10
Tools	10 - 13

g) Impairment of tangible assets

Tangible and Intangible assets are reviewed for impairment losses at balance sheet date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and discounted cash flow generated by these assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

h) Deferred charges

Deferred charges represent the renovation expenses for the production lines and the power station



owned by Saudi Electricity Company that are used by the company in its operations, in addition the SIDF loan arrangement fees and other deferred expenses that have future benefits. Deferred charges are amortized using the straightline method over 3 to 20 years in accordance with the expected useful life.

i) Provision of Employees' end of service benefits

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

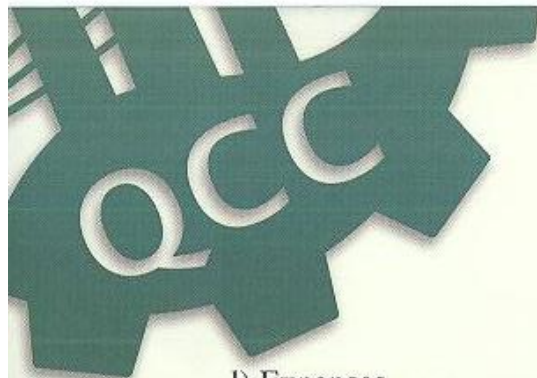
j) Provision for Zakat

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

Any differences between the provision and the final assessment are recorded and recognized at approved final assessment date.

k) Revenue recognition

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



**l) Expenses**

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

**m) Operating Lease**

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

**n) Foreign currencies**

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



o) Provisions:

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

p) Financial instruments

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

q) dividends

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

r) Earning per share:

Earning per share is determined for operating income, other income and expenses, and net in accordance to the weighted average basis as per total numbers of shares during the year. The computations of earning per share in case of stock dividends or stock split shall be adjusted retroactively for all periods presented.



QASSIM CEMET COMPANY  
(Saudi Joint Stock Co.)  
NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS  
As At December 31, 2009  
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**4. CASH AND CASH EQUIVALENTS:**

	<u>2009</u>	<u>2008</u>
Cash in hand	744,473	56,820
Cash at banks	14,850,981	16,641,170
Murabaha Islamic deposits	--	319,580,796
	<u>15,595,454</u>	<u>336,278,786</u>

**5. TRADING INVESTMENTS:**

	<u>2009</u>	<u>2008</u>
Fair value at beginning of the year	7,755,377	11,668,771
Additional investments during the year	<u>451,380,185</u>	--
	459,135,562	11,668,771
Unrealized profit / (loss)	<u>2,852,406</u>	<u>(3,913,394)</u>
Fair value at the end of the year	<u>461,987,968</u>	<u>7,755,377</u>

**6. TRADE RECEIVABLES, NET:**

	<u>2009</u>	<u>2008</u>
Trade receivables	46,322,634	51,918,774
allowance for doubtful debts	<u>(320,000)</u>	--
	<u>46,002,634</u>	<u>51,918,774</u>





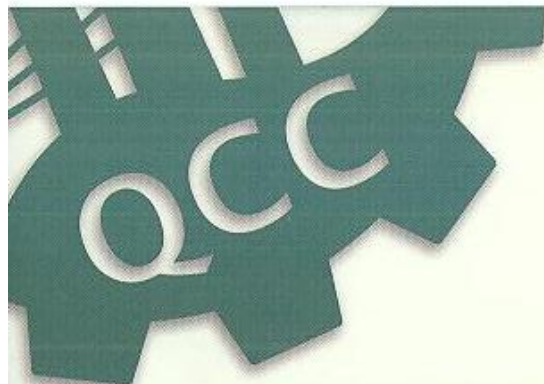
QASSIM CEMET COMPANY  
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7. **PREPAYMENTS AND OTHER RECEIVABLES, NET:**

	<u>2009</u>	<u>2008</u>
Prepayments	4,972,606	4,236,267
Advances to suppliers	447,647	3,046,836
Accrued revenue	221,189	6,664,750
Custom retentions	1,142,199	487,285
Receivables from employees	824,374	891,358
Other receivables	825,093	11,595,083
	<u>8,433,108</u>	<u>26,921,579</u>
Provision for other debt balances	<u>(650,000)</u>	<u>(230,000)</u>
	<u>7,783,108</u>	<u>26,691,579</u>

8. **INVENTORIES, NET**

	<u>2009</u>	<u>2008</u>
Raw materials	37,940,762	36,252,944
Packaging materials	1,962,792	2,870,682
Spare parts	141,327,093	117,577,342
Consumables	2,972,841	2,820,754
Work in process	22,852,562	45,243,139
Finished goods	3,432,722	4,243,325
Goods in transit	2,997,098	6,380,702
	<u>213,485,870</u>	<u>215,388,888</u>
Provision of slow moving and obsolete inventory	<u>(19,879,351)</u>	<u>(8,548,758)</u>
	<u>193,606,519</u>	<u>206,840,130</u>



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

	<b>2009</b>							<b>2008</b>
	<b>Land</b>	<b>Buildings</b>	<b>Machinery &amp; Equipments</b>	<b>Vehicles</b>	<b>Furniture &amp; Fixtures</b>	<b>Tools</b>	<b>Total</b>	<b>Total</b>
<b><u>Cost:</u></b>								
Balance at beginning of the year	15,024,200	639,155,306	1,339,026,980	26,421,641	23,982,503	7,807,718	2,051,418,348	1,906,919,662
Additions	5,000,000	50,990,355	57,565,385	19,723,966	1,148,155	541,996	134,969,857	148,423,567
Disposals	-	-	-	(571,949)	(6,838,687)	(1,603,606)	(9,014,242)	(3,924,881)
<b>Balance at end of the year</b>	<b>20,024,200</b>	<b>690,145,661</b>	<b>1,396,592,365</b>	<b>45,573,658</b>	<b>18,291,971</b>	<b>6,746,108</b>	<b>2,177,373,963</b>	<b>2,051,418,348</b>
<b><u>Accumulated depreciation:</u></b>								
Balance at beginning of the year	-	254,748,294	565,574,866	10,760,597	17,147,400	2,975,682	851,206,839	762,953,638
Charge for the year	-	19,968,069	58,080,380	5,859,440	2,895,003	413,878	87,216,770	91,921,893
Disposals	-	-	-	(288,362)	(6,670,787)	(1,580,389)	(8,539,538)	(3,668,692)
<b>Balance at end of the year</b>	<b>-</b>	<b>274,716,363</b>	<b>623,655,246</b>	<b>16,331,675</b>	<b>13,371,616</b>	<b>1,809,171</b>	<b>929,884,071</b>	<b>851,206,839</b>
<b><u>Net book value at</u></b>								
<b>December 31, 2009</b>	<b>20,024,200</b>	<b>415,429,298</b>	<b>772,937,119</b>	<b>29,241,983</b>	<b>4,920,355</b>	<b>4,936,937</b>	<b>1,247,489,892</b>	
<i>December 31, 2008</i>	<i>15,024,200</i>	<i>384,407,012</i>	<i>773,452,114</i>	<i>15,661,044</i>	<i>6,835,103</i>	<i>4,832,036</i>		<i>1,200,211,509</i>

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





The useful lives of computers that were included in furniture, fixtures and office equipments have been changed to be 3 years instead of 6.6 years starting from December, 2009, resulting in amending the depreciation expense for the year as follows:

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

Depreciation expense is charged as follows:

	<u>2009</u>	<u>2008</u>
Cost of sales	77,330,667	74,746,760
Selling and marketing expenses	239,251	172,056
General and administrative expenses *	9,646,852	3,041,939
Other expenses	-	13,961,138
	<u>87,216,770</u>	<u>91,921,893</u>

\* This item include the depreciation of unutilized operating capacity of the subsidiary's plant and equipments.



## 10. CAPITAL WORK IN PROGRESS :

	<u>2009</u>	<u>2008</u>
Balance at beginning of the year	108,520,979	109,648,586
Additions	53,236,401	90,518,034
Transferred to property, plant and equipment	(88,868,093)	(89,146,046)
Transferred to inventories	-	(1,180,052)
Transferred to deferred expenses	(3,424,627)	(1,319,543)
	<u>69,464,660</u>	<u>108,520,979</u>

Capital work in progress comprise of the upgrading of the first and second production lines, during the year, remaining units related to the third production line were capitalized, it is expected that the main projects will be finalized during the first quarter of 2010. Moreover some heavy equipments and motor vehicles related to Cement Industries Company Ltd. were capitalized as well as Qassim factory (1) and the remaining units of Hael factory.

## 11. DEFERRED EXPENSES, NET

	<u>2009</u>	<u>2008</u>
Balance at the beginning of the year	48,455,977	54,222,852
Additions	3,765,570	1,553,817
Amortization for the year	(6,804,093)	(7,320,692)
	<u>45,417,454</u>	<u>48,455,977</u>

Deferred charges represent mainly the renovation expenses for the production lines and the power station owned by Saudi Electricity Company that are used by the company in its operations, and the SIDF loan arrangement fees.



## 12. LONG TERM LOANS

The company obtained a loan from SIDF during 2004 amounting to SR. 200 million in order to finance its expansion plans, the establishment of the third production line and upgrading the first and second production lines, during 2006 the finance limit increased to SR. 273.5 million, the loan obtained fully withdrawn up to date. During 2007, the company has rescheduled the repayment of the loan in order to be paid over 12 unequal instalments commencing from Shaban 15, 1428H (corresponding to August 28, 2007G), the last instalment is accrued on Safar 14, 1434H (corresponding to December 28, 2012G).

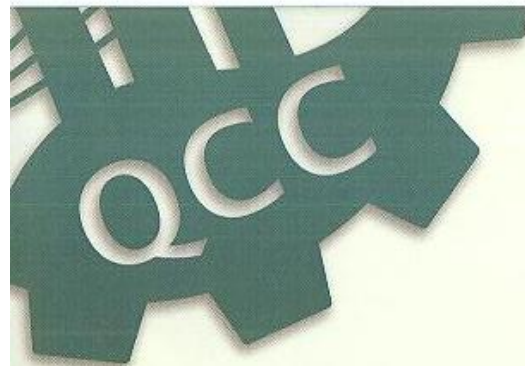
The loan is secured by all company's property, plant, and equipment situated in Buraidah equivalent to area of 28 kilo square meter are mortgaged to Saudi Industrial Development Fund (SIDF) as a security for longterm loans provided to the company to finance the third production line.

In accordance with the repayment schedule, the SIDF loan balance as at December 31 is as follows:

	<u>2009</u>	<u>2008</u>
Balance at beginning of the year	243,500,000	242,150,000
Amounts withdrawn during the year	-	27,350,000
Repayments during the year	(44,000,000)	(26,000,000)
	<u>199,500,000</u>	<u>243,500,000</u>
Current portion of long term loans	(55,000,000)	(44,000,000)
	<u>144,500,000</u>	<u>199,500,000</u>

Accrual dates of non-current portions of loans are as follows:

Instalments accrued during 2011	58,000,000
Instalments accrued during 2012	86,500,000
	<u>144,500,000</u>



### 13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES :

	<u>2009</u>	<u>2008</u>
Accrued expenses	116,964,542	56,589,649
Retentions	10,940,655	145,297,109
Advances from customers	4,254,572	6,734,317
Others	151,337	72,086
	<u>132,311,106</u>	<u>208,693,161</u>

### 14. ZAKAT PROVISION

- (a) The Company has obtained the final Zakat assessment for the years then ended at December 31, 2007; the DZIT issued its assessment for the years from 2001 to 2004 asking for additional Zakat of SR. 22.1 million. The company rejected the assessment before the preliminary rejection committee, during 2006 the company received the decision of the committee that approved the company's rejection, but DZIT has appealed before the Appeal committee that confirmed the rejection of the company and that the company's accruals before DZIT are the amount of SR. 3,071,484. As for the years from 2005 up to 2007, the final assessment did not result in any additional amounts to be paid by the company for those years. The company submitted its declaration for the year 2008 and the final assessment is not issued by DZIT.



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

	<u>2009</u>	<u>2008</u>
Balance at the beginning of the year	14,789,044	29,474,356
Charge during the year	22,232,480	1,473,137
Payments made during the year	(16,089,605)	(16,158,449)
Balance at the end of the year	<u>20,931,919</u>	<u>14,789,044</u>

(c) Zakat were calculated for the company in accordance with its financial statements that were prepared for this purpose as per the individual accounts of the company, Zakat components include the following:

	<u>2009</u>	<u>2008</u>
Shareholders' equity	1,723,572,475	1,523,384,140
Net adjusted profit	<b>a</b> 570,204,728	421,046,868
Additions	255,915,862	312,392,657
Deductions	(1,660,393,846)	(1,542,402,562)
Net Zakat base	<b>b</b> 889,299,219	714,421,103
Zakat base, the higher of (a and b)	<u>889,299,219</u>	<u>714,421,103</u>
Zakat for the year	<u>22,232,480</u>	<u>17,860,528</u>
Less: remaining balance after Zakat provision	--	(13,315,907)
Less: accrued amounts after the final assessment	--	(3,071,484)
<b>Zakat expense charged for the year</b>	<u>22,232,480</u>	<u>1,473,137</u>



#### 15. EMPLOYEES' END OF SERVICE BENEFITS:

	<u>2009</u>	<u>2008</u>
Balance at beginning of the year	18,387,643	16,252,676
Charge during the year	3,060,699	4,008,662
Payments made during the year	(2,528,698)	(1,873,695)
Balance at end of the year	<u>18,919,644</u>	<u>18,387,643</u>

#### 16. STATUTORY RESERVE:

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

#### 17. GENERAL RESERVE:

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



## 18. SELLING AND MARKETING EXPENSES :

	<u>2009</u>	<u>2008</u>
Salaries and other employees' benefits	3,971,680	4,294,608
Advertising, publicity and public relations	536,980	450,030
Communications	57,054	43,041
Depreciation	239,251	172,056
Stationeries and printings	64,225	47,798
Maintenance and fuel	70,445	49,239
Others	1,159,783	697,259
	<u>6,099,418</u>	<u>5,754,031</u>

## 19. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2009</u>	<u>2008</u>
Salaries and other employees' benefits	8,959,251	8,643,700
Depreciation	9,646,852	3,041,939
Administrative and financial consultations	464,289	671,431
Hospitality and public relations	383,776	138,363
Donations	4,302,400	1,653,210
Communications and postage	84,417	62,415
Printing, advertisings and publications	371,159	195,290
Maintenance, fuel and electricity	122,757	189,235
Board of directors session allowance	598,022	532,218
Others	3,447,190	1,025,640
	<u>28,380,113</u>	<u>16,153,441</u>



## 20. OTHER INCOME :

	<u>2009</u>	<u>2008</u>
Murabaha revenues	6,461,024	21,371,375
Gain from disposal of property, plant and equipments	12,998	-
Unrealized income from valuation of trading investment	2,852,406	-
Others	89,399,113	8,170,059
	<u>98,725,541</u>	<u>29,541,434</u>

Other income include SR. 82,552,095 that represent accrued liquidated damages for delay of third production line completion of erection occurred from the suppliers and contractors in accordance with the settlement occurred with the suppliers and contractors on Shawwal 21, 1430H corresponding to October 10, 2009G

## 21. OTHER EXPENSES

	<u>2009</u>	<u>2008</u>
Loss from disposal of property, plant and equipments	80,618	193,189
Loss from exchange rates	4,150,150	565,744
Unrealized loss from evaluation of trading investments	--	3,913,394
Finance charges	3,074,779	3,526,906
Net expenses for the establishment of a subsidiary	--	7,925,315
Others	2,346,832	
	<u>9,652,379</u>	<u>16,124,548</u>



## 22. EARNING PER SHARE

The earning per share for the years ended December 31, 2009, 2008 have been computed by dividing the net income, other income and expenses, and operation income by the number of shares outstanding during the year of 90 million shares after due consideration to the effect of stock dividends that occurred through the use of retained earnings and statutory reserve (Note 1).

The computation of earning per share for the comparative figures has been adjusted retroactively.

## 23. THE CONSOLIDATION OF THE SUBSIDIARY:

The accompanying consolidated financial statements include the financial statements of the company and Cement Industries Co. Ltd. (a subsidiary) with a total investment of 99% (2008: 95%) after the elimination of Inter balances and transactions between the company and its subsidiary.

## 24. DIVIDENDS:

The company in 2009 distributed dividends of SR 360 million from the profit of year 2008 equivalent to SR. 8 per share (2008:SR.283.5 million from the profit of year 2007 equivalent to SR. 6.3 per share).

The board of directors in its session held on July 1, 2009 approved the distribution of semi annual dividend of SR. 270 million from the profit of 2009 equivalent to SR. 6 per share.



## **25. CAPITAL COMMITMENT & CONTINGENT LIABILITIES:**

Capital commitment on the company amounted to SR. 58 million from the total operations of SR. 1,140 million (2008:SR.74 million from a total operations of SR. 1,257 million) against the upgrading of the first and second production lines.

Contingent liabilities on the company amounts to SR. 10.1 million (2008:SR. 10.1 million) that comprise of uncovered bank guarantees issued by the company regarding custom sponsorship and supplier guarantees.

## **26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The company's financial instruments carried on the consolidated balance sheet include cash and cash equivalents, Murabaha, investments, trade receivables, other receivables, other debt balances, related party transactions, suppliers, other credit balances and long term loans.

### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's cash and cash equivalents are placed with reputable local banks with good credit rating. Most of the company's sales are proceed in cash and most receivables are against sufficient guarantees so that they are stated in their net realizable values, so that credit risk is limited.



### **Fair value**

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

### **Interest rate risk**

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

### **Liquidity risk**

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

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



### **Currency risk**

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

### **27. COMPARATIVE FIGURES :**

Certain reclassifications have been made to the 2008 financial statement balances to conform to the current year presentation.





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