

**SAUDI CEMENT COMPANY  
(SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
YEAR ENDED DECEMBER 31, 2013**

**SAUDI CEMENT COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**  
**YEAR ENDED DECEMBER 31, 2013**

---

<b>INDEX</b>	<b>PAGE</b>
Independent auditor's report	1
Balance sheet	2
Statement of income	3
Statement of cash flows	4 - 5
Statement of changes in shareholders' equity	6
Notes to the financial statements	7 - 15

## INDEPENDENT AUDITOR'S REPORT

**To: THE SHAREHOLDERS OF  
SAUDI CEMENT COMPANY  
Dammam, Saudi Arabia**

**AUDIT SCOPE:**

We have audited the accompanying balance sheet of Saudi Cement Company (A Saudi Joint Stock Company) as of December 31, 2013 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended including the related notes from 1 to 21. 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 an 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.

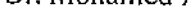
**UNQUALIFIED OPINION:**

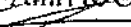
In our opinion, the accompanying financial statements taken as a whole:

- present fairly, in all material respects, the financial position of Saudi Cement Company as of December 31, 2013 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in the Kingdom of 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.

For Dr. Mohamed Al-Amri & Co.

  
Gihad M. Al-Amri



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

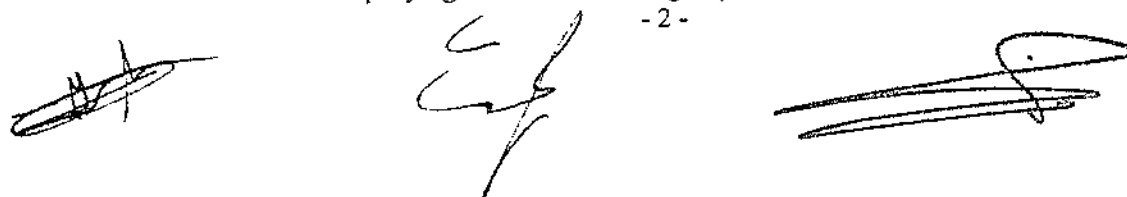
Rabi 'II, 9, 1435  
February 9, 2014

**SAUDI CEMENT COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**

**BALANCE SHEET**  
**AS OF DECEMBER 31, 2013**

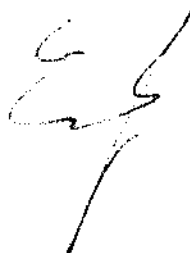
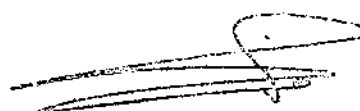
	Notes	2013 SR 000	2012 SR 000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	113,373	226,682
Accounts receivable	4	214,257	205,434
Inventories	5	536,554	322,714
Prepaid expenses and other debit balances		122,224	46,777
<b>Total current assets</b>		<b>986,408</b>	<b>801,607</b>
<b>Non-current assets</b>			
Investments in associates	6	91,464	97,506
Fixed assets, net	7	3,164,038	3,345,805
Capital work in progress	8	128,985	88,244
<b>Total non-current assets</b>		<b>3,384,487</b>	<b>3,531,555</b>
<b>TOTAL ASSETS</b>		<b>4,370,895</b>	<b>4,333,162</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Islamic Tawarruq loans	9	425,000	400,000
Saudi Industrial Development Fund (SIDF) loan - current portion	12	100,000	85,000
Accounts payable	10	44,895	32,891
Dividends and other payables to shareholders		117,549	110,664
Accruals and other credit balances	11	154,023	138,831
<b>Total current liabilities</b>		<b>841,467</b>	<b>767,386</b>
<b>Non-current liabilities</b>			
Capital lease obligations		1,030	-
Saudi Industrial Development Fund (SIDF) loan	12	235,000	335,000
End-of-service indemnities	13	84,952	72,922
<b>Total non-current liabilities</b>		<b>320,982</b>	<b>407,922</b>
<b>Shareholders' equity</b>			
Paid up capital	1	1,530,000	1,530,000
Statutory reserve	14(a)	765,000	765,000
Voluntary reserve – appropriated for Trauma Center	14(b)	50,000	50,000
Voluntary reserve – un appropriated	14(b)	20,000	20,000
Retained earnings		843,446	792,854
<b>Total shareholders' equity</b>		<b>3,208,446</b>	<b>3,157,854</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>4,370,895</b>	<b>4,333,162</b>

The accompanying notes form an integral part of these financial statements



**SAUDI CEMENT COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF INCOME**  
**YEAR ENDED DECEMBER 31, 2013**

	Notes	2013 SR 000	2012 SR 000
Sales	4,6	2,187,255	2,203,447
Cost of sales	5,6	(902,993)	(974,237)
<b>Gross profit</b>		<b>1,284,262</b>	<b>1,229,210</b>
Selling and distribution expenses	16	(29,904)	(32,935)
General and administrative expenses	17	(67,983)	(54,218)
<b>Operating income</b>		<b>1,186,375</b>	<b>1,142,057</b>
Company's share in (losses) profits of associated companies	6	(2,814)	2,139
Islamic Murabaha income		293	371
Islamic loans charges		(13,335)	(14,585)
Others, net		512	12,470
<b>Net income before zakat</b>		<b>1,171,031</b>	<b>1,142,452</b>
Zakat	15	(47,239)	(40,663)
<b>NET INCOME</b>		<b>1,123,792</b>	<b>1,101,789</b>
<b>Earning per share (SR)</b>	20		
Earning per share from net income		SR 7.35	SR 7.20
Earning per share from continuing main operations		SR 7.36	SR 7.10
(Loss) Earning per share from continuing other operations		SR (0.01)	SR 0.10
Weighted average number of shares		153,000,000	153,000,000

The accompanying notes form an integral part of these financial statements

**SAUDI CEMENT COMPANY**  
(SAUDI JOINT STOCK COMPANY)

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2013**

	2013 SR 000	2012 SR 000
<b>OPERATING ACTIVITIES</b>		
Net income before zakat	1,171,031	1,142,452
Adjustments for:		
Depreciation	199,999	200,747
End-of-service indemnities	20,549	7,816
Islamic Murabaha income	(293)	(371)
Company's share in loss / (profit ) of associated companies	2,814	(2,139)
Islamic loans charges	13,335	14,585
Gain on disposal of fixed assets	(219)	(8,149)
	1,407,216	1,354,941
Changes in operating assets and liabilities:		
Accounts receivable	(8,823)	(31,604)
Inventories	(213,840)	156,153
Prepaid expenses and other debit balances	(75,447)	4,904
Accounts payable	12,004	(10,621)
Accruals and other credit balances	14,129	16,803
Cash from operations	1,135,239	1,490,576
Islamic loans charges paid	(13,943)	(16,890)
End-of-service indemnities paid	(8,519)	(7,071)
Zakat paid	(37,937)	(34,655)
<b>Net cash from operating activities</b>	<b>1,074,840</b>	<b>1,431,960</b>
<b>INVESTING ACTIVITIES</b>		
Additions to fixed assets and capital work in progress	(56,771)	(59,021)
Proceeds from disposal of fixed assets	229	15,983
Dividends received from associated companies	3,228	3,575
Islamic Murabaha income received	293	371
Investments in associated companies	-	(19,727)
<b>Net cash used in investing activities</b>	<b>(53,021)</b>	<b>(58,819)</b>

The accompanying notes form an integral part of these financial statements

**SAUDI CEMENT COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2013**

(Continued)

	2013 SR 000	2012 SR 000
<b>FINANCING ACTIVITIES</b>		
Islamic Tawarruq loans	25,000	(40,000)
Saudi Industrial Development Fund (SIDF) loan (net)	(85,000)	(110,000)
Capital lease obligations - paid	(675)	-
Directors' remuneration paid	(2,200)	(2,200)
Dividends paid	(1,072,253)	(1,225,976)
<b>Net cash used in financing activities</b>	<b>(1,135,128)</b>	<b>(1,378,176)</b>
<b>Net change in cash and cash equivalents</b>	<b>(113,309)</b>	<b>(5,035)</b>
Cash and cash equivalents, January 1	226,682	231,717
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>113,373</b>	<b>226,682</b>
<b>Non-cash transactions:</b>		
<u>Fixed assets acquired by capital lease</u>	<u>2,212</u>	<u>-</u>





The accompanying notes form an integral part of these financial statements

**SAUDI CEMENT COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**

**STATEMENT OF STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**YEAR ENDED DECEMBER 31, 2013**

	Notes	Share capital SR 000	Statutory reserve SR 000	Voluntary reserve Trauma Center SR 000	Voluntary reserve un appropriated SR 000	Retained earnings SR 000	Total SR 000
January 1, 2012		1,530,000	659,075	50,000	20,000	1,023,190	3,282,265
Appropriation from retained earnings approved by the general assembly in 2012							
Dividends		-	-	-	-	(1,224,000)	(1,224,000)
Directors' remuneration		-	-	-	-	(2,200)	(2,200)
Transfer to statutory reserve		-	105,925	-	-	(105,925)	-
Net income for 2012		-	-	-	-	1,101,789	1,101,789
December 31, 2012		1,530,000	765,000	50,000	20,000	792,854	3,157,854
Appropriation from retained earnings approved by the general assembly in 2013							
Dividends	19	-	-	-	-	(1,071,000)	(1,071,000)
Directors' remuneration		-	-	-	-	(2,200)	(2,200)
Net income for 2013		-	-	-	-	1,123,792	1,123,792
December 31, 2013		<u>1,530,000</u>	<u>765,000</u>	<u>50,000</u>	<u>20,000</u>	<u>843,446</u>	<u>3,208,446</u>



The accompanying notes form an integral part of these financial statements



**SAUDI CEMENT COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**

---

**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 (2012: SR 1,530,000,000) consists of 153 million (2012: 153 million) fully paid shares of SR 10 each.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with the accounting standards 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 convention and on the accrual basis of accounting.

**c) Cash and cash equivalents**

Cash and cash equivalents include cash and bank balances and 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.

**SAUDI CEMENT COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2013**

---

**f) Fixed assets**

Fixed assets except land 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%

Capital work-in-progress is stated at cost.

Upon disposal of the fixed assets, the cost and related accumulated depreciation are derecognised and the resulting gain/loss is taken to the statement of income.

**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.

**SAUDI CEMENT COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2013**

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.

**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**

Final dividends distributions are recorded in the year in which the general assembly approves such distributions. Interim dividends are resolved by the Board of Directors in accordance with Ministry of Trade Directive # 222/221/9/1288 dated 2/4/1421H and are recorded in the year in which the resolution is made.

**o) Leasing**

Leases are classified as capital leases whenever the terms of the lease transfer substantially all or the risks and rewards of ownership to the lessee. All the other leases are classified as operating leases.

**3. CASH AND CASH EQUIVALENTS**

	<b>2013</b>	<b>2012</b>
	<b>SR 000</b>	<b>SR 000</b>
Cash in hand and banks	<u>113,373</u>	<u>226,682</u>
	<u>113,373</u>	<u>226,682</u>

**4. ACCOUNTS RECEIVABLE**

	<b>2013</b>	<b>2012</b>
	<b>SR 000</b>	<b>SR 000</b>
Trade receivable	<u>198,244</u>	<u>194,398</u>
Due from related parties	<u>16,013</u>	<u>11,036</u>
	<u>214,257</u>	<u>205,434</u>

Sales to four major customers represent 34 % (2012: 38%) of total sales. Dues from these customers at December 31, 2013 amounted to SR 97.2 million (2012: SR 88.6million). These balances are fully covered by bank guarantees in favour of the Company.

**SAUDI CEMENT COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2013**

**5. INVENTORIES**

	2013 SR 000	2012 SR 000
Finished and cement under process	299,738	68,107
Raw materials and paper bags	31,186	23,872
Spare parts, fuel and consumables	205,630	230,735
	<u>536,554</u>	<u>322,714</u>

- The spare parts inventory primarily relates to plant and machinery and, accordingly, it is expected to be utilized over a period exceeding one year.
- Based on accruals basis, the government incentive for clinker importation is deducted from the cost of the imported clinker, and hence this incentive is reflected on the value of the imported clinker inventory until it is grinded into cement & sold when its cost of sales is matched against the revenues earned from those sales.

**6. INVESTMENTS IN ASSOCIATES**

	Ownership Percentages	2013 SR 000	2012 SR 000
United Cement Company (Bahraini Closed Joint Stock Company)	36%	33,857	33,177
Cement Product Industry Co. Ltd. (Saudi Limited Liability Company)	33.33%	26,603	26,417
Group International Cement Company (a Kuwaiti Closed Joint Stock Company)	40%	<u>31,004</u>	<u>37,912</u>
		<u>91,464</u>	<u>97,506</u>

The transactions entered into by the Company with associated companies (United Cement Company and Cement Product Industry Co. Ltd ) 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 39.2 million (2012: SR 83.3 million).
- 2) Purchases from an associated company during the year amounted to approximately SR 48.7 million (2012: SR 47.7 million), representing paper bags for cement packaging.

Subsequent to Saudi Cement Company's Board of directors' approval on 9/11/2010 G (3/12/1431H) of an investment in the State of Kuwait amounting to Kuwaiti Dinars (KD) 4 million, the Company has subscribed to a share of 40% in the formation of International Group Cement Company (a Kuwaiti Closed Joint Stock Company). The Articles of Association of this Company was signed on 23/10/2011 (25/11/1432 H). The authorized share capital of the Company amounts to KD 10 million divided into 100 million shares of 100 fils per share. The Saudi Cement Company paid an amount of KD 2,400,000 for its 40% share in the total paid up capital of the Company amounting to KD 6 million.

**SAUDI CEMENT COMPANY**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2013**

**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	Capital lease	Total SR 000
<b>Cost</b>							
January 1, 2013	69,462	1,838,792	4,856,036	264,642	61,076	-	7,090,008
Additions/transfers	-	872	10,526	3,979	653	2,212	18,242
Disposals	-	-	-	(1,141)	(1,865)	-	(3,006)
<b>December 31, 2013</b>	<b>69,462</b>	<b>1,839,664</b>	<b>4,866,562</b>	<b>267,480</b>	<b>59,864</b>	<b>2,212</b>	<b>7,105,244</b>
<b>Depreciation</b>							
January 1, 2013	-	1,036,162	2,483,428	181,734	42,879	-	3,744,203
Charge for year	-	35,286	139,631	20,150	4,195	737	199,999
Disposals	-	-	-	(1,141)	(1,855)	-	(2,996)
<b>December 31, 2013</b>	<b>-</b>	<b>1,071,448</b>	<b>2,623,059</b>	<b>200,743</b>	<b>45,219</b>	<b>737</b>	<b>3,941,206</b>
<b>Net book value</b>							
December 31, 2013	69,462	768,216	2,243,503	66,737	14,645	1,475	3,164,038
December 31, 2012	69,462	802,630	2,372,608	82,908	18,197	-	3,345,805

- a) "Buildings, structures and installations" include buildings and structures relating to Ain Dar plant and the export terminal at the Dammam port, with an approximate net book value of SR 23.4 million (2012: SR 28.6 million), which were constructed on land owned by the Government .
- b) The cost of fully depreciated property and equipment that are still in service amounted to SR 2,601 million as of December 31, 2013 (2012: SR 2,545 million).

**8. CAPITAL WORK IN PROGRESS**

During the year an amount of SR 10.10 million (2012: 35.08 million) was transferred from capital work-in-progress to fixed assets.

**SAUDI CEMENT COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2013**

**9. ISLAMIC TAWARRUQ LOANS**

Some local banks have granted the Company various revolving Islamic Tawarruq loans facilities for the purpose of financing its working capital with a total limit amounting to SR 1,900 million (2012 : SR 1,750 million) . The outstanding loan balances at the year end 2013 is SR 425 million (2012: 400 million) . Management has the ability to rollover these loans on their maturity dates if the need arises. Therefore, it is possible that these loans may be repaid over a period exceeding one year.

**10. ACCOUNTS PAYABLE**

	2013 SR 000	2012 SR 000
Trade payables	28,323	15,461
Due to related parties	2,212	3,791
Retentions on expansion contracts and supporting projects	14,360	13,639
	<u>44,895</u>	<u>32,891</u>

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**

	2013 SR 000	2012 SR 000
Accrued expenses	83,756	74,117
Zakat payable (note 15b)	37,893	28,591
Accrued vacations	3,103	3,773
Advances against cement sales	12,397	11,951
Other credit balances	16,874	20,399
	<u>154,023</u>	<u>138,831</u>

**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. 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. During 2013, loan amount repaid was SR 85 million (2012: SR 110 million).

**SAUDI CEMENT COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2013**

**13. END-OF-SERVICES INDEMNITIES**

	2013 SR 000	2012 SR 000
At January 1	72,922	72,177
Provision for end of service for the year	20,549	7,816
End of service paid during the year	(8,519)	(7,071)
At December 31,	<u>84,952</u>	<u>72,922</u>

**14. RESERVES**

a) **Statutory reserve**

In accordance with the Regulations for Companies and the Company's Articles of Association, the Company has established a statutory reserve by appropriation of 10% of net income until such reserve equals 50% of the share capital. The general assembly held on March 22, 2013 (10 Jamada I, 1434H) has approved stopping of appropriation of 10% of net income since the reserve has reached 50% of paid-up capital.

This reserve is not available for dividend distribution.

b) **Voluntary reserve**

The Shareholders in their General Assembly Meeting held on March 25, 1995 (24 Shawwal 1415H) 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 May 18, 2010 (4 Jamada II, 1431 H) 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:

	2013 SR 000	2012 SR 000
Non-current assets	3,384,487	3,531,555
Non-current liabilities	320,982	407,922
Shareholders' equity - opening balance	3,157,854	3,282,265
Net income before zakat	1,171,031	1,142,452

**SAUDI CEMENT COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2013**

b) Provision for zakat

	2013 SR 000	2012 SR 000
At January 1	28,591	22,583
Provision for the year	47,239	40,663
Payments during the year	(37,937)	(34,655)
<b>At December 31</b>	<b>37,893</b>	<b>28,591</b>

c) Zakat status:

The Company has finalized its Zakat assessments up to 2010. Final assessment for years 2011 and 2012 is still under review by the DZIT.

**16. SELLING AND DISTRIBUTION EXPENSES**

	2013 SR 000	2012 SR 000
Salaries, wages and benefits	12,011	10,619
Transportation fees and export expenses	3,902	6,462
Depreciation	7,569	7,550
Other	6,422	8,304
	<b>29,904</b>	<b>32,935</b>

**17. GENERAL AND ADMINISTRATIVE EXPENSES**

	2013 SR 000	2012 SR 000
Salaries, wages and benefits	48,521	36,966
Training, employment and professional fees	3,339	3,546
Depreciation	3,820	2,463
Postage and phone	621	583
Stationery and printing	414	543
Board of directors' meeting expenses and remuneration	495	481
Insurance	127	242
Travel and transportation	930	612
Others	9,716	8,782
	<b>67,983</b>	<b>54,218</b>



**SAUDI CEMENT COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2013**

---

**18. COMMITMENTS AND CONTINGENCIES**

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

	2013 SR 000	2012 SR 000
Capital commitments	43,884	24,273
Letters of credit	3,992	1,141
Letters of guarantee	112,066	67,956

**19. DIVIDENDS**

The General Assembly approved during its meeting held on 20/3/2013 G (8/5/1434 H) on the proposal of the Board of Directors to pay interim dividends for second half of 2012 at the rate of SR 3.5 per share, representing 35% of the nominal share value amounted to SR 535.5 million ( SR 4.5 per share for second half of year 2011). Entitlement to the distribution would be to stockholders on record as at the end of Tadawul dealings on Wednesday 20/3/2013G (8/5/1434H ). Disbursement commenced on Sunday 31/3/2013 G (19/5/1434 H).

The Board of Directors resolved during its meeting held on Wednesday 29/5/2013 G (19/7/1434 H) to pay interim dividends for first half of 2013 at the rate of SAR 3.5 per share, representing 35% of the nominal share value amounted to SR 535.5 million ( SR 3.5 per share for first half of year 2012). Entitlement to the distribution would be to stockholders on record as at the end of Tadawul dealings on Monday 01/7/2013G (22/8/1434H). Disbursement commenced on Tuesday 9/7/2013 G(1/9/1434 H).

The Board of Directors proposed during its meeting held on Thursday 6/2/2014 G (6/4/1435 H) to pay interim dividends for second half of 2013 at the rate of SAR 3.5 per share, representing 35% of the nominal share value amounted to SR 535.5 million ( SR 3.5 per share for second half of year 2012). Entitlement to the distribution would be to stockholders on record as at the end of Tadawul dealings on the date of the forthcoming ordinary Annual General Assembly Meeting expected to be held during March 2014 , and which shall be announced later on .

**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.

---