SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

Stronger than ever

Establishment: 1955
Production Since: 1961

Annual Report 2011

For the 52nd Ordinary General Assembly Meeting Held On March 14, 2012, 21st Rabi' Thani, 1433 H

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SAUDI CEMENT COMPANY

(A Saudi Joint Stock Company)

1432/1433 H – 2011 G

2011 Annual Report

For The 52nd Ordinary General Assembly Meeting Held On
March 14, 2012 G. 21st Rabi' II, 1433 H.

www.saudicement.com.sa

The Founder

King Abdulaziz Bin Abdulrahman Al Faisal Al Saud

Custodian of the Two Holy Mosques

King Abdullah Bin Abdul Aziz Al Saud

His Royal Highness

Crown Prince Nayef bin Abdul-Aziz Al Saud, Deputy Prime Minister and Interior Minister

Board of Directors

Mr. Omar Sulaiman Al-Rajhi
Chairman

Sheikh Abdulkarim A. El-Khereiji
Board Member

Sheikh Mohammed S. Balghonaim
Board Member

Engineer: Abdulla Abdulrahman
Al-Suhibani - Board Member

Sheikh Khaled Abdulrahman
Al-Abdulkarim - Board Member

Mr. Fahad Abdullah Al-Saleh
Board Member

Sheikh Sami Ali Al-Juffali
Board Member

Mr. Hamad Abdulla Al-Olayan
Board Member

Sheikh Khaled Abdulrahman
Al-Rajhi - Board Member

Sheikh Walid Ahmed Al-Juffali
Board Member & Managing Director

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

Vision - Mission and Values

VISION

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

MISSION

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

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

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

VALUES

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

2. Customers
   To provide our clients with quality products and services.

3. Our People
   To provide an environment whereby our people can excel, develop, and grow with the Company.

Operational Highlights

- SCC's sales volume of all cement types for 2011 totaled to 7,216,143 tons compared to 6,742,422 tons for 2010 i.e. an increase of 473,721 tons or approximately 7%.
- Total quantity of clinker produced during 2011 amounted to 6,897,325 tons compared to a quantity of 5,775,000 tons for 2010 i.e. approximately 19,4% more.
- The total exported quantity during 2011 amounted to 538,805 tons, compared to 841,176 tons in 2010, i.e. a decrease of 302,371 tons or approximately 35.9%.
- SCC's production lines are equipped with the latest technologies for dust collection and applying the highest standards in environmental protection and pollution control, which surpass MEPA's requirements.
- Continue operating and maintaining the new lines with high efficiency, which leads to increase in volume of clinker & cement produced.
- SCC has maintained its supremacy in producing high quality types of cement products, and has the capability and flexibility to produce other types of cement, if economically viable.
- SCC implemented technical and administrative training courses during 2011 for 253 of its employees. Additionally, SCC carried out co-operative & summer training to train college and university students in its cooperative & summer training programs.
- SCC was accredited with ISO 9001:2008 certificate from a specialized and accredited German Company (TUV NORD).
- SCC entered into a joint venture with Kuwaiti shareholders and formed a closed stock company namely "Group International Company for Cement" with a declared capital of KD10/- million (paid-up capital KD 2/- million). SCC's share in the Company is 40%.

Financial Highlights

All figures expressed in SR 000's

Net Profit 831,227

2011	2010	2009	2008	2007
831,227	659,527	582,392	621,322	686,397

Total Sales 1,716,095

2011	2010	2009	2008	2007
1,716,095	1,526,151	1,345,875	1,259,612	1,361,950

Shareholders Equity 3,282,265

2011	2010	2009	2008	2007
3,282,265	3,371,238	3,070,896	2,847,704	2,738,582

Total Assets 4,598,919

2011	2010	2009	2008	2007
4,598,919	4,616,673	4,930,770	4,530,067	3,860,734

SR 000's	2011	2010	2009	2008	2007
Sales	1,716,095	1,526,151	1,345,875	1,259,612	1,361,950
Cost of Sales	(765,095)	(757,245)	(666,346)	(554,999)	(614,968)
Gross Income	951,000	768,906	679,529	704,613	746,982
Greneral, Admin, & Marketing Exp.	(85,928)	(87,518)	(81,890)	(98,932)	(74,191)
Operating Income	865,072	681,388	597,639	605,681	672,791
Other Income	(12,508)	(4,950)	(143)	31,572	33,134
Zakat	(21,337)	(16,911)	(15,104)	(15,931)	(19,528)
Net Income	831,227	659,527	582,392	621,322	686,397

Klins Production Capacities
(Operating & Suspended)

CLINKER

Annual Rated Capacity (tons)	11,200,000
Kilns	
Tons per day	2 x 10.000
Tons per day	1 x 3500
Tons per day	6 x 1500
Tons per day	1 x 725
Tons per day	2 x 300

CEMENT

Annual Grinding Capacity (tons)	11,500,000

MILLS (CEMENT)

Tons per hour	3 x 280
Tons per hour	2 x 160
Tons per hour	3 x 120
Tons per hour	2 x 80

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

TYPE OF CEMENT PRODUCED

Ordinary Portland Cement (ASTM Type 1 Specification)

Sulphate Resisting Cement (ASTM Type V Specification)

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

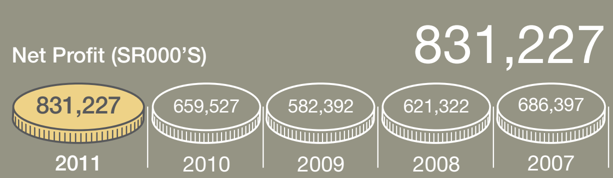
Special Cement of any type & Specification as per market demand

Board of Directors' Statement

Respected Shareholders,

The Board of Directors welcomes you to the 52nd Ordinary General Assembly Meeting of Saudi Cement Company (SCC) and thanks you for attending this meeting.

The Board is pleased to present to you the "Annual Report" for the year ended December 31, 2011 together with the Financial Statements and the Auditors' Report related to that year.



Activity - Production - Stock- Operation and Maintenance

Main Activity

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

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

Production

Clinker Production

Total quantity of clinker produced during 2011 amounted to 6,897,325 tons compared to a quantity of 5,775,000 tons for 2010 i.e. an increase of 1,122,325 tons or approximately 19.4% .

The production resulted from operation of lines 7 and 8 only, the production efficiency of which reached to an average of 94.5%. Such efficiency exceeds the average operating efficiency of production in the Cement Industry.

Cement Production

Cement production for 2011 totaled 7,273,958 tons compared to 6,863,707 tons for 2010, i.e. an increase of 410,251 tons or approximately 6%.

Cement grinding and dispatch were mainly dependent on Hofuf Plant. Also, Ain Dar cement grinding and dispatch facilities were partially utilized for meeting cement sales by rail and additional requirements of the local market.

Clinker Stock

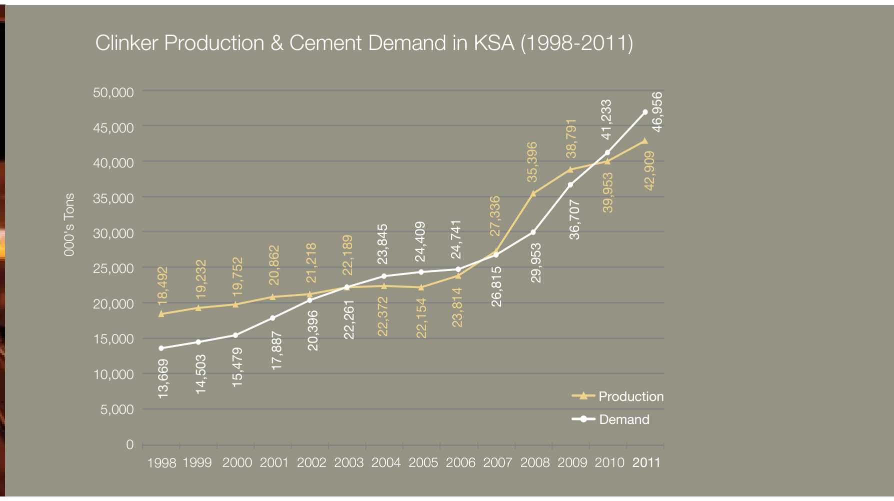
The clinker stock as of December 31, 2011 amounted to 1,935,396 tons, compared to a quantity of 2,026,705 tons as of December 31, 2010, i.e. a decrease of (91,309) tons or approximately (4.5%).

SCC succeeded in selling all the clinker produced during the year as well as parts of its clinker inventory (in cement form) due to positive utilization of rising demand for cement in the various geographical locations of the Kingdom.

Operation and Maintenance

SCC continued highly efficient operation and maintenance works by its own manpower. This resulted positively in reduction of cost per ton and in a clinker inventory commensurate with its capacity, which will help in meeting the increase in local demand expected in the coming years, by the grace of God Almighty and due to the infrastructure and housing projects announced by the Custodian of the Two Holy Mosques and also projects of the Public and private sectors.

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



Marketing

Introduction

The local demand for cement in Saudi Arabia has improved during 2011 and reached to around 47 million tons, compared to a total demand of 41.2 million tons for 2010 i.e. an increase of 5.8 million tons or approximately 13.9%. Total cement sales (locally & abroad) for the year 2011 reached to 48.4 million tons.

On the other hand, the total production in Saudi Arabia for the year 2011 was approximately 43 million tons of clinker (equivalent to around 45 million tons of cement).

In spite of the increase in local production coupled with the stringent export restrictions, the clinker stock in all cement companies reduced to approximately 7.5 million tons at the end 2011 compared to 10 million tons only at the end of 2010 i.e. a decrease of about (2.5) million tons or approximately (25.3%) due to the high increase in the local demand.

Total Sales

The improvement in demand led to an increase in SCC's sales volume of all cement types for 2011, which reached to 7,216,143 tons compared to 6,742,422 tons for 2010, i.e. an increase of 473,721 tons or approximately 7%.

The percentage growth in SCC's sales for 2011 amounted to 13.4% which is in line with the percentage of growth in demand in Saudi Arabia for that year and which amounted to 13.9%.

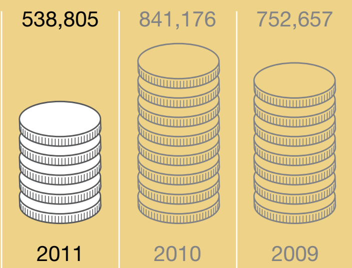
Clinker Closing Stock in Saudi Arabia (1998-2011)

Export - Geographical Distribution of Sales Revenue

Total Exports

-35.9%

*Expressed in Tons



Cement and Clinker Exports

Our exports were restricted to bulk cement only to the Kingdom of Bahrain under the export restrictions' exemption.

The total quantity exported to Bahrain during 2011 has reached 538,805 tons, compared to 841,176 tons in 2010, i.e. a decrease of (302,371) tons or approximately (35.9%).

The above decrease was a result of the economic and political issues that were encountered in this neighboring country.

Geographical distribution of Sales Revenue

Most of cement sales were made locally in Saudi Arabia, and a small portion was exported under the ongoing limited exemptions from the export restrictions. The exports of Portland cement were confined to Kingdom of Bahrain.

Oil well cement exports were to State of Kuwait.

The following table illustrates the geographical distribution of the company's sales revenue for 2011:

SR (000's)

Details	2011	2010
Local Market	1,606,000	1,382,000
Export Market	110,000	144,000
Total	1,716,000	1,526,000

Current & Future Plans

SCC's sales volume of all cement types for 2011, which reached to 7,216,143 tons compared to 6,742,422 tons for 2010, i.e. an increase of 473,721 tons or approximately 7%.

Current & Future Plans:

Currently, SCC has no plans for any expansion in its production facilities due to its inability to acquire any mining concession for raw materials at other geographical locations in the Kingdom where there are better marketing opportunities.

This is due to the fact that MINPET has restricted issuance of mining licenses to seven (7) licenses only for the time being, some of which were already put to public bids with conditions that prohibit existing cement companies from bidding for such licenses.

(a) Rehabilitation of Kiln # 6:

SCC's current production is limited to its two new lines 7 & 8, which started commercially at the beginning of the year 2009. The operating efficiency of these two lines has reached to an average of 94.5% during 2011 i.e. exceeding the average operating efficiency in the cement industry.

Local demand in Saudi Arabia grew considerably during the years 2010 and 2011 (an average growth of 13.2% for 2010 and 13.9% for 2011). It is expected that the coming years will witness higher percentages of growth by the grace of God Almighty and due to the infrastructure and housing projects announced by the Custodian of the Two Holy Mosques and also as a result of the many construction projects by the public and private sectors. As such, SCC has decided to rehabilitate its No.6 Kiln of 3,500 tpd capacity to be ready for operation by mid-2012.

(b) Concentrating Cement Grinding at Hofuf Plant:

Currently, SCC mainly utilizes its grinding facilities at Hofuf Plant and only partially depends on the grinding facilities at its Ain Dar Plant to cater for the cement dispatches by Rail and also to meet rising demand in the local market.

SCC, however, aims to concentrate its grinding operations at its Hofuf Plant only in order to cut costs and to better serve its customers. As such, SCC is currently at the final stages of studying the required projects for the design, engineering and then installation of all the required rail tracks and wagon loading equipment at its Hofuf Plant thus enabling it to centralize all dispatches from Hofuf Plant whether by road or rail. Emphasis will also be placed on raising operating efficiency of grinding facilities at this plant to higher levels in order to meet the rising demand.

It is expected that those projects will start by the third (3nd) quarter of 2012 and will be executed over a period of around 18 months from the start date.

Risks facing the company:

Like other cement companies in Saudi Arabia, SCC faces some operational cost risks such as the possibility of fluctuations in the prices of raw materials and other production inputs as well as marketing risks such as decline in demand. However, due to the expectations of continued good growth of the Saudi Economy accompanied with continuous high government spending (as clearly evident in the 2012 Government Budget) we do not foresee that such risks will materialize in fact.

Environmental Protection - SIDF

Environmental Protection and Pollution Control

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

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

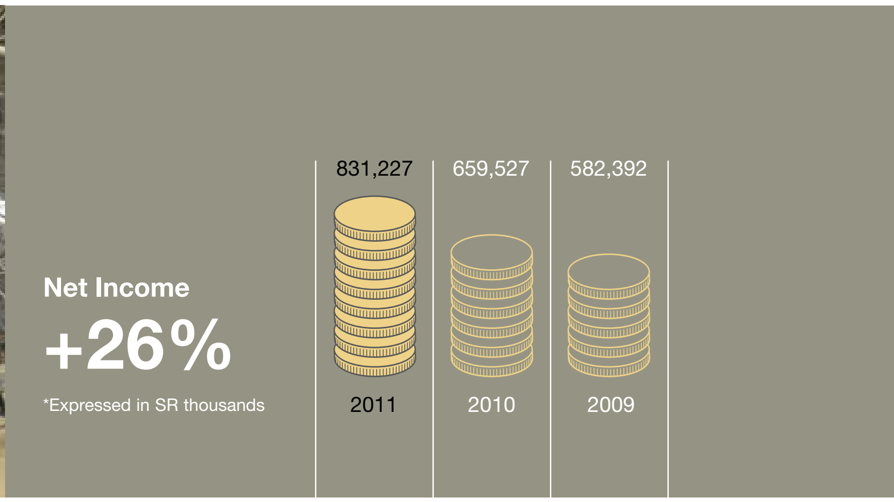
Loans

The following table illustrates the total SIDF and local banks' Islamic Tawarruq loans, their movements during the year 2011 and the outstanding balances as at the end of 2011:

SR Million

The Bank	Duration	Balance as of 01/01/2011	Used during the year	Repaid during the year	Balance as of 31/12/2011
Riyadh	Revolving	340	0	270	70
SAMBA	Revolving	0	450	80	370
SABB	One year renewable	100	0	100	0
SIDF	Eight Years	486,8	89,2	46	530
Total		926,8	539,2	496	970

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



Hiring Saudi Nationals

Hiring and Training of Saudi Nationals

SCC implemented technical and administrative training courses during 2011, for a number of (253) of its employees. Additionally, SCC carried co-operative & summer training to train college and university students in its cooperative & summer training programs.

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

The percentage of Saudi workforce as at the end of 2011 has reached 54.2 %. In spite of reducing numbers of employees due to stopping of old production lines as a result of export regulations. SCC is adopting Saudization plan as a national strategic goal and will continue in this plan.

SCC implemented technical and administrative training courses during 2011, for a number of (253) of its employees.

Social Responsibilities

SCC has encouraged its employees for volunteer work to be contributed individually and as a team in the various programs of social responsibility. This has created very noble feelings among the employees whereby social responsibility is now considered by them as a way of life.

scc's Social Contributions

The social responsibility as a culture is one of the most important values SCC is endeavoring to achieve constantly and in a pragmatic manner.

The spread of awareness in this culture is not dependent only on advertisements and informative & directive messages, but also (most importantly) on actual behavior and practices of social responsibility hence setting SCC as a good example for others.

SCC's awareness and performance of its social responsibilities is apparent in its very successful relations and cooperation with the concerned organizations.

SCC has encouraged its employees for volunteer work to be contributed individually and as a team in the various programs of social responsibility. This has created very noble feelings among the employees whereby social responsibility is now considered by them as a way of life.

The Social responsibility has become now a reality in SCC's activities, whereby it has contributed materially and in kind to the various social associations and bodies involved in health care, educational help and support, social and relief activities, etc…

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

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

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

In addition, SCC has sponsored some social occasions and celebrations as indicated below:
The Diamond Sponsor for Higher Market organized by Chamber of commerce in Al Ehsa, the Silver Sponsor for the summer festival in Al Ehsa (Hsana Fullah) and also sharing in the lightening bargain for drugs bad effects.

Trauma Center At National Guard Hospital:

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

Thrift Saving Program - Quality Certificates

The National Guard Authorities has advised SCC that the bid documents for the project were floated and offers were received lately and it is expected that the project will be awarded soon so that actual construction activities will start before mid-2012.

Thrift Saving Program for SCC employees.

The company contributes to a Thrift Savings Program for its employees that was approved by the then Ministry of Labor & Social Affairs on 11/05/1414H corresponding to 27/10/1993 to motivate them to exert their best efforts in servicing the Company, and increase their loyalty.

The following is the movement of the Thrift Saving Program During the year.

Description	Amounts in SR
Balance at the beginning of the year	6,288,820
Additions during 2011	995,885
Deletions during 2011	836,687
Balance at the end of the year	6,448,018

Quality Certificates:

SCC continued its application of, and compliance with, international Quality Management Systems, and maintained its ISO 9001:2008 certifications obtained from specialized and accredited German Company (TUV NORD) for the Hofuf and Ain Dar Plants. This reassures the commitment of SCC towards the full compliance and implementation of the quality management programs in all its internal administration and production / technical processes with the purpose of attaining the desired level of efficiency, effectiveness, and continuous improvement for all SCC's different operating sectors and functional lines.

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

SCC has also maintained the (CE) Certification of Conformity issued by the Belgian Certification Body (CRIC) for its products at Ain Dar Plant.

Furthermore, SCC continued to comply with the requirements of the American Petroleum Institute (API).

Board of Directors Related Matters

Board Membership/classification.

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

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

* Representative of General Organization for Social insurance.
** Representative of General Organization for Retirement.

Board Members' Meetings and Attendance.

The Board of Directors held 4 (four) times during 2011 and their attendance register is as indicated:

	Attendance register			
Name of Board Member	16/2/2011	23/3/2011	22/6/2011	26/10/2011
Omar Sulaiman Al-Rajhi	✓	✓	✓	✓
Walid Ahmed Juffali	X	X	✓	X
Abdulkarim A. El-Khereiji	✓	✓	✓	✓
Mohammed S. Balghonaim	✓	✓	✓	✓
Abdulla Abdulrahman Al-Suhibani	✓	✓	✓	✓
Khaled Abdulrahman Al-Abdulkarim	✓	✓	✓	✓
Fahad Abdullah Al Saleh	✓	✓	✓	✓
Sami Ali Juffali	✓	✓	X	X
Hamad Abdulla Olayan	✓	✓	✓	✓
Khaled Abdulrahman Al-Rajhi	✓	✓	✓	✓
Mohammed Ali Al Garni	✓	✓	✓	✓

Attending X Absent

Board of Directors Remuneration and Expenses paid in 2011:

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

The below statement shows the remuneration and expenses paid for each Board Member during 2011:

Schedule Saudi Riyal

Name of Board Member	Yearly Remuneration	Others Expenses	Total
Omar Sulaiman Al-Rajhi	200,000	12,450	212,450
Walid Ahmed Juffali	200,000	218,690	418,690
Abdulkarim A. El-Khereiji	200,000	12,000	212,000
Mohammed S. Balghonaim	200,000	12,000	212,000
Abdulla Abdulrahman Al-Suhibani	200,000	16,600	216,600
Khaled Abdulrahman Al-Abdulkarim	200,000	12,000	212,000
Fahad Abdullah Al Saleh	200,000	16,600	216,600
Sami Ali Juffali	200,000	12,460	212,460
Hamad Abdulla Olayan	200,000	12,000	212,000
Khaled Abdulrahman Al-Rajhi	200,000	12,000	212,000
Mohammed Ali Al Garni	200,000	12,000	212,000

SCC's Top Five Executives Remuneration paid in 2011:

In SR (000's)

Description	5 Top Executives including CEO & Finance Manger
Annual Salaries	2,679
Annual Allowances	1,943
Annual Bonus	1,816
Annual Performance Incentives	2,220

Penalty by the Capital Market Authority (CMA):
SCC received a letter from the Capital Market Authority (CMA) dated 04/08/1432H. , (July 05, 2011G). imposing a penalty of SR 50,000 (Fifty thousand Saudi Riyals) due to the failure of SCC in notifying the CMA and the public about the loan received on 26/3/2011 from Samba Financial Group with a total amount of SR450 million (Four Hundred and fifty million Saudi Riyals) which they considered contrary to the CMA regulations as per paragraph A of Article (46) of the Capital Market Law and paragraph A of article (25) of the listing Rules . SCC raised a "Grievance" on this penalty and stated the reasons on a letter addressed to the CMA on 22/8/2011. However, the CMA advised that the reasons and justifications given do not relieve SCC from its regulatory responsibility and does not justify CMA reversing its decision. SCC hence raised a "Grievance Claim" to the Committee for Resolution of Securities Disputes (CRSD) in Riyadh on 24/12/2011 and the claim is still under consideration. SCC's Board of Directors has been informed about all the details of this matter and the actions taken by the Executive Management.

Board of Directors Related Matters (Continued)

Interests and Rigths of Board Members, their wives and dependent children in the Shares of the Saudi Cement Company:

	No. of Shares			
Name	Beginning of the year	End of the year	Change (Share)	Percentage of change
Abdulkarim A. El Khereiji	3,113,391	3,113,391	- - -	- - -
Mohammed S. Balghonaim	201,181	202,684	1,503	0.75
Walid Ahmed Juffali	4,500	4,500	- - -	- - -
Abdulla Abdulrahman Al-Suhibani	Not Owner	Not Owner	- - -	- - -
Khalid Abdulrahman Al Abdulkarim	17,137	17,137	- - -	- - -
Fahad Abdullah Al Saleh	1,500	1,500	- - -	- - -
Sami Ali Al Juffali	1,500	1,500	- - -	- - -
Hamad Abdulla Olyan	1,500	1,500	- - -	- - -
Mohammed Ali Al Garni	1,500	1,500	- - -	- - -
Omar Sulaiman Al Rajhi	2,514	12,023	9,509	378.2
Khalid Abdulrahman Al Rajhi	12,206,002	12,206,002	- - -	- - -

Remarks:

1. There are no listed debt instruments of the Company or any of its related companies.
2. There are no interests or rights of Board Members, or their wives or their dependent children in the shares of any related Company.

Interests and Rights of Executive Management, their wives and dependent children in the Shares of Saudi Cement Company.

	No. of Shares			
Name	Beginning of the year	End of the year	Change (Share)	Percentage of change
Mr. Hussain Bin Mansi Naser Abu Taki – Sales Manager	14,700	14,700	- - -	- - -
Mr. Khlifa Bin Saad Al-Dekhail – Relation & Supporting svs. Manager	483	483	- - -	- - -
Mr. Saeed Bin Saleh Ahmad Al-Zahrani – Information technology Manager	1,000	1,000	- - -	- - -
Mr. Ibrahim Rabah Fakhri Anshassi-Business Strategy Advisor	Not Owner	Not Owner	10,000	100

Remarks:

There are no Interests or Rights of Executive Managers, their wives and dependent children in the Shares of any related company.

Contracts in which Board Members & Executive Management have material interest:

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

Transaction with a related party:

According to the requirement of paragraph (B/9) of Article (25) of the Listing Rules, which mandates disclosure of any transaction between the source and a related person (outside of the normal activity of the source) , the Company has announce on Tadawul Announcement Bulletin on 01/01/2012 the award of its insurance services program to National Company for Cooperative Insurance (a related party), since Shk. Walid Ahmed Juffali SCC's Board Member and Managing Director is a Board Member of National Company for Cooperative Insurance and also a Board Member of Saudi National Insurance Company, Bahrain, its largest shareholder.

Board Members Holding Directorships in other Saudi listed Companies:

The following Board Members hold directorship in other Shareholding Companies:

Name of Board Member	Name of Listed Company
Walid Ahmad Juffali	- National Company for Cooperative Insurance-Jeddah - Saudi National Insurance Company, (Bahraini Closed Joint Stock Company)
Khaled Abdulrahman Al-Rajhi	- Al-Bilad Bank - Saudi Telecom Company - Saudi United Company for Co-operative Insurance " Walaa"
Khaled Abdulrahman Al-Abdulkarim	- Samba Financial Group
Abdulkarim A. Al- Khereiji	- Arabian Ace Cooperative Insurance Co. - AL-Dhahran Exhibition Company (Closed Joint Stock Company) - Arab Paper Manufacturing Co., Ltd(Closed Joint Stock Company)
Mohammed Ali Al Garni – (Representative of Saudi Cement Company)	- United Cement Company (Bahraini Closed Joint Stock Company)
Hamad Abdullah Olyan – (Representative of Saudi Cement Company)	- United Cement Company (Bahraini Closed Joint Stock company)

Audit Committee - Nominations & Remunerations Committee

Audit Committee:

The Audit Committee members were:

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

The committee has performed its duties and responsibilities through Six meetings held during the year. Its most important duties and responsibilities were: Discussions of the Quarterly and yearly Financial Statements before being reported to the Board of Directors; recommendations to the Board for appointment, demission and determining the fees of the External Auditors; follow up of the work of the appointed External Auditors; studying the internal control system and giving a written report in this regard; supervising the company internal audit department and studying its reports and following up on the implementation of corrective actions of all observations in the internal audit reports.

Nominations & Remunerations Committee:

The Nominations & Remunerations committee members were:

Walid Ahmed Juffali	Chairman
Abdulkarim Abdulaziz Al-Khereiji	Member
Khaled Abdulrahman Al-Abdulkarim	Member

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

Associated Companies - Corporate Governance

Related Companies:

SCC owns shares in the following associated companies:

Company name	%age of ownership	Established at	Country of operation	Main activity
1. United Cement Company (Bahraini closed Joint Stock Company) Issued shares one million @ one BD each and there are no debt instruments	36%	Bahrain	Bahrain	Handling and transporting cement in Bahrain
2. Cement Product Industry Co. Ltd. (Saudi Limited Liability Company)	33.33%	Jeddah, KSA	KSA	Manufacturing and selling of paper bags for cement packing.
3. Group International Cement Company (Kuwait closed Joint Stock Company) Number of shares issued 20,000 at 100 Kuwait Fils per share. No debt instruments are issued.	40%	Kuwait	Kuwait	Trading and packing of Cement & Bulk Products (Activities not yet started)

New investment in Kuwait

Subsequent to SCC's Board of Director's approval to invest together with other shareholders from Kuwait in a new "Closed Stock Company" in Kuwait, the main activity of which are cement and bulk products trading and distribution in Kuwait, SCC has subscribed by 40% in establishing Group International Cement Company. The Memorandum of Association and the Company's By Laws were signed at the Notary Public in Kuwait on 25/11/1432H corresponding to 23/10/2011 G. The Authorized Capital of the company is ten (10) million KD distributed on one hundred (100) million shares of one hundred (100) Fils per share, while the Paid Up capital is two (2) million Kuwaiti Dinar. SCC has paid the amount of eight hundred thousand (800,000) KD for its entire share of the paid up capital.

Corporate Governance

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

Final Accounts

Final Accounts

General Disclosure

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

Results of Annual Audit of the effectiveness of internal control procedures

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

5 years' Balance Sheets:

(SR 000's)

	Years				
Description	**2011**	**2010**	**2009**	**2008**	**2007**
Current Assets	936,095	870,476	1,035,064	699,564	882,296
Current Liabilities	824,477	735,555	1,299,140	1,319,795	1,035,176
Working Capital	111,618	134,921	(264,076)	(620,231)	(152,880)
Other Long Term Assets	146,678	378,088	338,238	2,960,688	2,029,755
Fixed Assets	3,516,146	3,368,109	3,557,468	869,815	948,683
Total Assets	**4,598,919**	**4,616,673**	**4,930,770**	**4,530,067**	**3,860,734**
Long Term Liabilities	72,177	69,080	73,934	92,568	86,976
Long Term Loans	420,000	440,800	486,800	270,000	-
Other Liabilities	-	-	-	-	-
Total Liabilities	1,316,654	1,245,435	1,859,874	1,682,363	1,122,152
Paid up Capital	1,530,000	1,530,000	1,020,000	1,020,000	1,020,000
Retained Earnings & Reserves	1,752,265	1,841,238	2,050,896	1,827,704	1,718,582
Shareholders Equity	3,282,265	3,371,238	3,070,896	2,847,704	2,738,582
Total Liabilities & Shareholders' Equity	**4,598,919**	**4,616,673**	**4,930,770**	**4,530,067**	**3,860,734**

Final Accounts - Profit Distribution Policy

5 years' Income Statements:

(SR 000's)

Description	2011	2010	2009	2008	2007
	Years				
Sales	1,716,095	1,526,151	1,345,875	1,259,612	1,361,950
Cost of Sales	(765,095)	(757,245)	(666,346)	(554,999)	(614,968)
Gross profit	951,000	768,906	679,529	704,613	746,982
General, Adm. & Selling Exp.	(85,928)	(87,518)	(81,890)	(98,932)	(74,191)
Operating Income	865,072	681,388	597,639	605,681	672,791
Other Income	(12,508)	(4,950)	(143)	31,572	33,134
Zakat	(21,337)	(16,911)	(15,104)	(15,931)	(19,528)
Net Income	831,227	659,527	582,392	621,322	686,397

Material Variations in Operational results

(SR 000's)

Details	2011	2010	Changes	%of change	Reason
Profit from operation	865,072	681,388	183,684	27,0%	Increased production efficiency as a result of depending on the new production lines which realized more stable efficient operation in addition to increased local demand during the year
Net Profit	831,227	659,527	177,700	26,03%	

Due Regulatory Payments:

(SR 000's)

Details	2011	2010
	Years	
Zakat & Income Tax	22,583	24,878
General Organization for Social Insurance	741	750
Raw Materials Exploitation Fees	46,303	41,165

Company's Profit Distribution Policy

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

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

Appropriation Account

Appropriation Account

In its meeting on 20/07/1432 H (23/06/2011) SCC's Board of Directors has decided on distribution of interim dividend for the first half of the year 2011 at the rate of Saudi Riyals Two (SR2/-) per share for shareholders registered on Tadawul as at close of market on Wednesday, 05/08/1432H (06/07/2011G) and payment of this interim dividend started on 19/08/1432H (20/07/2011G).

Also, in accordance with Article (46) of the Company By Laws, the Board of Directors recommends to your General Assembly the approval of its recommendation at its Meeting dated 5 Rabi Al-Awal 1433 corresponding to 28 January 2012 to distribute interim dividends for the second (2nd) half of 2011 at the rate of Saudi Riyals Four and Fifty Halalas (SR4.50) per share for shareholders registered on Tadawul records as at close of market on 14 March, 2012, the scheduled date of your General Assembly meeting held.

If your General Assembly approves this distribution the total dividend for the year 2011 will hence be Saudi Riyals Six and Fifty Halalas (SR6.50) per share i.e. 65% of paid up capital.

Below is the recommended profit appropriation:

	(SR 000's)
Net profit	**831,227**
Less: Statutory Reserve	83,122
	748,105
Less: First portion of dividend to shareholders – 5% of paid-up capital (SR1,530 millions)	76,500
	671,605
Less: Directors fees	2,200
Add: Profits brought forward from previous year	581,085
	1,250,490
Less: Additional dividend to shareholders 60% of paid up capital (SR1,530 millions)	918,000
Balance to be carried forward for next year	**332,490**

Board of Directors Recommendations

Board of Directors' Recommendations

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

1. Approve the Annual Report for year 2011.
2. Approve the Financial Statements and the External Auditors' report for the year ended December 31, 2011.
3. Absolve the members of the Board of Directors from all responsibilities and obligations related to the previous period.
4. Approve the Board of Directors' recommendations for distribution of interim dividends for the second (2nd) half of 2011 at the rate of SR 4.50 per share representing 45% of paid up capital. Entitlement for distribution shall be to shareholders on Tadawul's records on market close of this General Assembly meeting's day.

   As interim dividends for first half 2011 of Saudi Riyals two (SR2/-) per share (i.e. 20% of paid up capital) have already been distributed, then the total dividends distribution for the financial year 2011 will amount to Saudi Riyals Six and Fifty Halalas (SR6.50) per share or 65% of paid up capital. The interim dividend for the second (2nd) half of 2011 will be paid starting from Monday 26/03/2012 (03/05/1433H).
5. Approve the appointment of Company's External Auditors, as recommended by the Audit Committee, for the audit of 2012 final financial statements and review of quarterly preliminary financial statements and determine their fees or select other auditors.
6. Approve the changes made to Article Eight (8) of the Audit Committee Charter of the Responsibilities and functions of the Audit Committee.

The percentage of Saudi workforce as at the end of 2011 has reached 54.2 %.

Final Statement

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

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

May God bless you all.

The Board of Directors

Financial Statements and Auditors' Report

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Auditors Report

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

Audit Scope:

We have audited the accompanying balance sheet of Saudi Cement Company (A Saudi Joint Stock Company) as of December 31, 2011 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended including the related notes from 1 to 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, 2011 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles 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.

Gihad M. Al-Amri
License No. 362

Rabi' I, 08, 1433
January 31, 2012

Balance Sheet
as of December 31, 2011

	Notes	2011 SR 000	2010 SR 000
ASSETS			
Current assets			
Cash and cash equivalents	3	231,717	90,739
Accounts receivable	4	173,830	213,509
Inventories	5	478,867	525,381
Prepaid expenses and other debit balances		51,681	40,847
Total current assets		936,095	870,476
Non-current assets			
Investments	6	79,215	68,836
Fixed assets, net	7	3,516,146	3,368,109
Capital work in progress	8	67,463	309,252
Total non-current assets		3,662,824	3,746,197
TOTAL ASSETS		4,598,919	4,616,673
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Islamic Tawarruq loans	9	440,000	440,000
Saudi Industrial Development Fund (SIDF) loan - current portion	12	110,000	46,000
Accounts payable	10	43,512	41,069
Dividends and other payables to shareholders		112,637	95,747
Accruals and other credit balances	11	118,328	112,739
Total current liabilities		824,477	735,555
Non-current liabilities			
Saudi Industrial Development Fund (SIDF) loan	12	420,000	440,800
End-of-service indemnities	13	72,177	69,080
Total non-current liabilities		492,177	509,880
Shareholders' equity			
Paid up capital	1	1,530,000	1,530,000
Statutory reserve	14(a)	659,075	575,953
Voluntary reserve – appropriated for Trauma Center	14(b)	50,000	50,000
Voluntary reserve – un appropriated	14(b)	20,000	20,000
Retained earnings		1,023,190	1,195,285
Total shareholders' equity		3,282,265	3,371,238
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,598,919	4,616,673

The accompanying notes form an integral part of these financial statement

Statement of Income

Year ended December 31, 2011

	Notes	2011 SR 000	2010 SR 000
Sales	4,6	1,716,095	1,526,151
Cost of sales	6	(765,095)	(757,245)
Gross profit		951,000	768,906
Selling and distribution expenses	16	(35,809)	(39,072)
General and administrative expenses	17	(50,119)	(48,446)
Operating income		865,072	681,388
Company›s share in (loss)/ profit of associated companies	6	(2,440)	7,729
Islamic Murabaha income		163	252
Islamic loans charges		(17,414)	(21,522)
Others, net		7,183	8,591
Net income before zakat		852,564	676,438
Zakat	15	(21,337)	(16,911)
NET INCOME		831,227	659,527
Earning per share (SR)	20		
Earning per share from net income		5.43	4.31
Earning per share from continuing main operations		5.40	4.20
Earning per share from continuing other operations		0.03	0.11
Weighted average number of shares		153,000,000	153,000,000

The accompanying notes form an integral part of these financial statement

Statement of Stockholders' Equity

Year Ended December 31, 2011

	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, 2010		1,020,000	510,000	-	70,000	1,470,896	3,070,896
Appropriation from retained earnings approved by the general assembly in 2010:							
Dividends	1	-	-	-	-	(357,000)	(357,000)
Directors' remuneration	1	-	-	-	-	(2,185)	(2,185)
Voluntary reserve for Trauma Center		-	-	50,000	(50,000)	-	-
Stock dividend	1	510,000	-	-	-	(510,000)	-
Transfer to statutory reserve		-	65,953	-	-	(65,953)	-
Net income for 2010		-	-	-	-	659,527	659,527
December 31, 2010		1,530,000	575,953	50,000	20,000	1,195,285	3,371,238
Appropriation from retained earnings approved by the general assembly in 2011:							
Dividends	19	-	-	-	-	(918,000)	(918,000)
Directors' remuneration	19	-	-	-	-	(2,200)	(2,200)
Transfer to statutory reserve		-	83,122	-	-	(83,122)	-
Net income for 2011		-		-	-	831,227	831,227
December 31, 2011		1,530,000	659,075	50,000	20,000	1,023,190	3,282,265

The accompanying notes form an integral part of these financial statement

Statement of Cash Flows
Year Ended December 31, 2011

	2011 SR 000	2010 SR 000
OPERATING ACTIVITIES		
Net income before zakat	852,564	676,438
Adjustments for:		
Depreciation	186,263	212,753
End-of-service indemnities	10,587	7,962
Islamic Murabaha income	(163)	(252)
Company›s share in loss\ (profit) of associated companies	2,440	(7,729)
Islamic loans charges	17,414	21,522
(Gain) on disposal of fixed assets	(1,250)	(4,078)
	1,067,855	906,616
Changes in operating assets and liabilities:		
Accounts receivable	39,679	(58,650)
Inventories	46,514	120,328
Prepaid expenses and other debit balances	(10,761)	6,859
Accounts payable	2,443	(28,014)
Accruals and other credit balances	18,963	(9,546)
Cash from operations	1,164,693	937,593
Islamic loans charges paid	(15,580)	(22,837)
End-of-service indemnities paid	(7,490)	(12,816)
Zakat paid	(23,633)	(9,697)
Net cash from operating activities	1,117,990	892,243
INVESTING ACTIVITIES		
Additions to fixed assets and capital work in progress	(92,586)	(66,370)
Proceeds from disposal of fixed assets	1,325	4,201
Dividends received from associated companies	5,366	10,732
Islamic Murabaha income received	90	226
Investments	(18,185)	-
Net cash used in investing activities	(103,990)	(51,211)
FINANCING ACTIVITIES		
Islamic Tawarruq loans	-	(290,000)
Medium term loan, net	-	(272,392)
Saudi Industrial Development Fund (SIDF) loan	43,200	(20,000)
Directors’ remuneration paid	(2,200)	(2,185)
Dividends paid	(914,022)	(352,532)
Net cash used in financing activities	(873,022)	(937,109)
Net change in cash and cash equivalents	140,978	(96,077)
Cash and cash equivalents, January 1	90,739	186,816
CASH AND CASH EQUIVALENTS, DECEMBER 31	231,717	90,739
Non-cash transactions:		
Share capital increase by stock dividend (note1)	-	510,000

The accompanying notes form an integral part of these financial statement

Notes to the Financial Statements

Year Ended December 31, 2011

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 (2010: SR 1,530,000,000) consists of 153 million (2010: 153 million) fully paid shares of SR 10 each.

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

The Shareholders in the same EGM 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Use of estimates

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

b) Accounting convention

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

c) Cash and cash equivalents

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

d) Inventories

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

e) Investments

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

Notes to the Financial Statements
Year Ended December 31, 2011

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements
Year Ended December 31, 2011

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.

3. CASH AND CASH EQUIVALENTS

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

	2011 SR 000	2010 SR 000
Cash on hand and banks	131,717	60,739
Islamic Murabaha with maturity not exceeding three months	100,000	30,000
	231,717	90,739

4 ACCOUNTS RECEIVABLE

	2011 SR 000	2010 SR 000
Trade receivable	163,754	178,384
Due from related parties	10,076	35,125
	173,830	213,509

Sales to four major customers represent 42 % (2010: 45%) of total sales. Dues from these customers at December 31, 2011 amounted to SR 94.7 million (2010: SR 126.4 million). These balances are fully covered by bank guarantees in favour of the Company.

Notes to the Financial Statements
Year Ended December 31, 2011

5. INVENTORIES

	2011 SR 000	2010 SR 000
Finished and under process cement	126,946	197,861
Raw materials and paper bags	64,416	99,608
Spare parts, fuel and consumables	287,505	227,912
	478,867	525,381

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

6. INVESTMENTS

	Ownership Percentage	2011 SR 000	2010 SR 000
United Cement Company (Bahraini Closed Joint Stock Company)	36%	37,172	48,198
Cement Product Industry Co. Ltd. (Saudi Limited Liability Company)	33.33%	23,858	20,638
Group International Cement Company (a Kuwaiti Closed Joint Stock Company)	40%	18,185	-
		79,215	68,836

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 79.5 million (2010: SR 125.88 million).

2) Purchases from an associated company during the year amounted to approximately SR 36.6 million (2010: SR 24.9 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 Group International 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 paid up capital amounts to KD 2 million. The Saudi Cement Company paid an amount of KD 800,000 (SR 10.8 million) for its share in the paid up capital.

Notes to the Financial Statements
Year Ended December 31, 2011

7. FIXED ASSETS, NET

	Land SR 000	Buildings, structures and installations SR 000	Machinery, equipment and improvements SR 000	Tools and transportation equipment SR 000	Furniture and fixtures SR 000	Total SR 000
Cost						
January 1, 2011	21,611	1,812,131	4,596,016	272,530	48,307	6,750,595
Additions/transfers	55,655	25,679	235,057	11,310	6,674	334,375
Disposals	-	-	(42)	(6,166)	(3,225)	(9,433)
December 31, 2011	77,266	1,837,810	4,831,031	277,674	51,756	7,075,537
Depreciation						
January 1, 2011	-	954,295	2,226,444	160,173	41,574	3,382,486
Charge for year	-	46,145	115,318	22,125	2,675	186,263
Disposals	-	-	(42)	(6,098)	(3,218)	(9,358)
December 31, 2011	-	1,000,440	2,341,720	176,200	41,031	3,559,391
Net book value						
December 31, 2011	77,266	837,370	2,489,311	101,474	10,725	3,516,146
December 31, 2010	21,611	857,836	2,369,572	112,357	6,733	3,368,109

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 33.1 million (2010: SR 38.2million), which are constructed on land owned by the Government under a lease contract expiring on Rabi II, 1435H and a contract expiring on Rabi I, 1439H, (corresponding to February 2014 and December 2017, respectively).

b) The cost of fully depreciated property and equipment that are still in service amounted to SR 2,507 million as of December 31, 2011 (2010: SR 1,835 million).

8. CAPITAL WORK IN PROGRESS

a) During 2009, commercial production commenced for the two production lines of the fifth and sixth expansions. During the year an amount of SR 235 million (2010: 18.8 million) was transferred from capital work-in-progress to fixed assets.

b) Borrowing cost capitalized in capital work in progress during the year was SR 22.5 million (2010: SR nil).

9. BANK FACILITIES

The Company obtained Islamic financing facilities, in the form of short term loans, letters of credit and letters of guarantee from local banks for the purpose of financing the Company’s fifth and sixth expansion projects and their auxiliary projects. The utilized loans’ balances as at end of 2011 is SR 70 million (2010: SR 340 million).

The Company has revolving Islamic financing facilities from some local banks for the purpose of financing its working capital with a total limit of SR 1,050 million. The utilized loans’ balances as at end of 2011 is SR 370 million (2010: Nil).

Notes to the Financial Statements
Year Ended December 31, 2011

10. ACCOUNTS PAYABLE

	2011 SR 000	2010 SR 000
Trade payables	27,412	24,598
Due to related parties	2,351	2,160
Retentions on expansion contracts and supporting projects	13,749	14,311
	43,512	41,069

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

	2011 SR 000	2010 SR 000
Accrued expenses	72,522	55,850
Zakat payable (note 15)	22,583	24,878
Accrued vacations	4,786	4,733
Advances against cement sales	8,353	6,093
Other credit balances	10,084	21,185
	118,328	112,739

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 2011, loan amount received was SR 89.2 million (2010: Nil) and loan amount repaid was SR 46 million (2010: SR 20 million).

13. END-OF-SERVICES INDEMNITIES

	2011 SR 000	2010 SR 000
Balance, January 1	69,080	73,934
Provision for end of service for the year	10,587	7,962
End of service paid during the year	(7,490)	(12,816)
Balance, December 31,	72,177	69,080

Notes to the Financial Statements

Year Ended December 31, 2011

14. RESERVES

a) **Statutory reserve**

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

b) **Voluntary reserve**

The Shareholders in their General Assembly Meeting held on 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 on18/5/2010 G (4/6/1431H) 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:

	2011 SR 000	2010 SR 000
Non-current assets	3,662,824	3,746,197
Non-current liabilities	492,177	509,880
Shareholders› equity - opening balance	3,371,238	3,070,896
Net income before zakat	852,564	676,438

b) Provision for zakat

	2011 SR 000	2010 SR 000
Balance, January 1	24,878	17,664
Provision for the year	21,337	16,911
Payments during the year	(23,632)	(9,697)
Balance, December 31	22,583	24,878

c) Zakat status:

The Company has finalized its Zakat affairs up to 2007. Final assessments for years 2008 to 2010 are still under review by DZIT.

Notes to the Financial Statements
Year Ended December 31, 2011

16. SELLING AND DISTRIBUTION EXPENSES

	2011 SR 000	2010 SR 000
Salaries, wages and benefits	8,468	8,607
Transportation fees and export expenses	14,822	17,992
Depreciation	8,781	8,718
Other	3,738	3,755
	35,809	39,072

17. GENERAL AND ADMINISTRATIVE EXPENSES

	2011 SR 000	2010 SR 000
Salaries, wages and benefits	34,868	34,008
Training, employment and professional fees	1,434	1,769
Depreciation	1,741	2,893
Postage and phone	693	565
Stationery and printing	1,278	1,023
Board of directors' meeting expenses and remuneration	32	350
Insurance	278	49
Travel and transportation	522	488
Others	9,273	7,301
	50,119	48,446

18. COMMITMENTS AND CONTINGENCIES

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

	2011 SR 000	2010 SR 000
Capital commitments	52,178	30,733
Letters of credit	20,706	2,996
Letters of guarantee	57,738	53,956

Notes to the Financial Statements
Year Ended December 31, 2011

19. DIVIDENDS

a) The shareholders in their general assembly meeting on 23/3/2011 G (18/4/1432 H) approved the dividend proposed by the board of directors at the rate of SR 4 per share representing 40% of share_ capital and amounting to SR 612 million for 2010. Payments of dividends commenced from Sunday 3/4/2011.

b) The Board of Directors proposed during its meeting held on 28/1/2012 G (05/3/1433 H) to pay interim dividends for second half of 2011 at the rate of SR 4.5 per share, representing 45% of share capital and amounting to SR 688.5 million (2010 : Nil).

It's worth mentioning that interim dividends for first half of 2011 at the rate of SR 2 per share, representing 20% of share capital totaling SR 306 million (2010:nil) were paid commencing Wednesday 20/7/2011 following the Board of Directors approval.

c) Board of Directors' meetings expenses and directors' remunerations paid during 2011 amounted to SR 2.58 million (2010: SR 2.54 million).

20. EARNING PER SHARE

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

21. SEGMENTAL INFORMATION

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

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