

**YANBU CEMENT COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS (UNAUDITED)**

30 September 2012

with

**INDEPENDENT AUDITORS' REVIEW REPORT**

**YANBU CEMENT COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

As at 30 September 2012

Expressed in Saudi Riyals

---

| <b>Index</b>   | <b>Page number</b> |
|--|--------------------|
| Review report on the interim condensed consolidated financial statements     | 1                  |
| Interim consolidated balance sheet (unaudited)                               | 2                  |
| Interim consolidated statement of income (unaudited)                         | 3                  |
| Interim consolidated statement of cash flows (unaudited)                     | 4                  |
| Interim consolidated statement of changes in equity (unaudited)              | 5                  |
| Notes to the interim condensed consolidated financial statements (unaudited) | 6 – 14             |

**KPMG Al Fozan & Al Sadhan**

Al Dainy Plaza  
Al Madinah Road  
P. O. Box 55078  
Jeddah 21534  
Kingdom of Saudi Arabia

Telephone +966 2 658 1616  
Fax +966 2 605 0597  
Internet www.kpmg.com.sa

License No. 46/11/323 issued 11/3/1992

## REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Shareholders  
Yanbu Cement Company  
Jeddah, Saudi Arabia

### Scope of Review

We have reviewed the accompanying consolidated interim balance sheet of Yanbu Cement Company (the Company) and its subsidiary ("the Group") as at 30 September 2012 and the interim consolidated statement of income for the three and nine months period then ended and the related interim consolidated statements of cash flows and changes in equity for the nine months period then ended and the attached condensed notes 1 through 11 which form an integral part of the interim condensed consolidated financial statements. These interim condensed consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express a conclusion on review of these interim condensed consolidated financial statements based on our review.

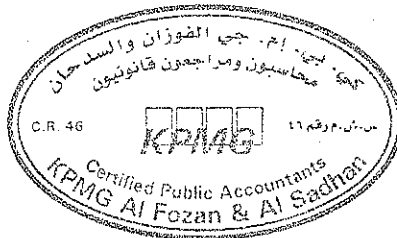
We conducted our review in accordance with Saudi Organization for Certified Public Accountants (SOCPA) standards on interim financial information. A review is limited principally to analytical procedures applied to financial data and inquiries of Company's personnel responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

### For KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshen  
License No. 382



27 Dhul Qaddah 1433H  
Corresponding to 13 October 2012

**YANBU CEMENT COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)**

As at 30 September 2012

Expressed in Saudi Riyals

|  | <u>Notes</u> | <u>2012</u>          | <u>2011</u>          |
|--|--------------|----------------------|----------------------|
| <b><u>ASSETS</u></b>   |              |                      |                      |
| <b>Current assets:</b>   |              |                      |                      |
| Cash and cash equivalents                                      |              | 577,538,788          | 451,213,900          |
| Accounts receivable and other current assets                   |              | 189,411,589          | 179,344,006          |
| Inventories  |              | 311,143,966          | 310,174,945          |
| <b>Total current assets</b>                                    |              | <b>1,078,094,343</b> | <b>940,732,851</b>   |
| <b>Non-current assets:</b>                                     |              |                      |                      |
| Deferred financing costs                                       | 4            | 16,152,000           | --                   |
| Property, plant and equipments                                 | 5            | 3,435,390,831        | 3,489,778,628        |
| <b>Total non-current assets</b>                                |              | <b>3,451,542,831</b> | <b>3,489,778,628</b> |
| <b>Total assets</b>  |              | <b>4,529,637,174</b> | <b>4,430,511,479</b> |
| <b><u>LIABILITIES AND EQUITY</u></b>                           |              |                      |                      |
| <b>Current liabilities:</b>                                    |              |                      |                      |
| Long term loans - current portion                              | 6            | 268,375,828          | 243,375,828          |
| Bank overdraft   |              | --                   | 4,503,065            |
| Trade account payable  |              | 33,140,469           | 138,355,683          |
| Dividends payable  |              | 57,427,143           | 55,998,902           |
| Zakat provision  | 7            | 16,026,405           | 8,811,576            |
| Accrued expenses and other current liabilities                 |              | 117,534,049          | 113,897,931          |
| <b>Total current liabilities</b>                               |              | <b>492,503,894</b>   | <b>564,942,985</b>   |
| <b>Non-current liabilities:</b>                                |              |                      |                      |
| Long term loans  | 6            | 851,232,191          | 1,089,608,019        |
| End of service benefits  |              | 57,115,732           | 55,865,485           |
| <b>Total non-current liabilities</b>                           |              | <b>908,347,923</b>   | <b>1,145,473,504</b> |
| <b>Total liabilities</b>                                       |              | <b>1,400,851,817</b> | <b>1,710,416,489</b> |
| <b><u>EQUITY</u></b>   |              |                      |                      |
| <b>Equity attributable to the Company's shareholders:</b>      |              |                      |                      |
| Authorized and fully paid capital                              |              | 1,050,000,000        | 1,050,000,000        |
| Statutory reserve  |              | 525,000,000          | 525,000,000          |
| Expansionary reserve   |              | 741,879,357          | 741,879,357          |
| Retained earnings  |              | 781,638,726          | 375,881,893          |
| <b>Total equity attributable to the Company's shareholders</b> |              | <b>3,098,518,083</b> | <b>2,692,761,250</b> |
| Non controlling interest                                       |              | 30,267,274           | 27,333,740           |
| <b>Total equity</b>  |              | <b>3,128,785,357</b> | <b>2,720,094,990</b> |
| <b>Total liabilities and equity</b>                            |              | <b>4,529,637,174</b> | <b>4,430,511,479</b> |

The accompanying notes 1 through 11 form an integral part of these unaudited interim condensed consolidated financial statements.

**YANBU CEMENT COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)**

For the three and nine months ended 30 September 2012

Expressed in Saudi Riyals

|   | Note | For the three months<br>period ended 30 September |                           | For the nine months<br>period ended 30 September |                           |
|---|------|---|---------------------------|--|---------------------------|
|   |      | <u>2012</u>                                       | <u>2011</u>               | <u>2012</u>                                      | <u>2011</u>               |
| Net sales   |      | 338,951,112                                       | 272,497,128               | 1,080,021,407                                    | 812,915,628               |
| Costs of sales  |      | <u>(164,627,784)</u>                              | <u>(137,813,404)</u>      | <u>(513,079,088)</u>                             | <u>(408,815,509)</u>      |
| <b>Gross profit</b>   |      | <b>174,323,328</b>                                | <b>134,683,724</b>        | <b>566,942,319</b>                               | <b>404,100,119</b>        |
| Selling and distribution expenses                               |      | <u>(2,346,839)</u>                                | <u>(2,346,185)</u>        | <u>(8,072,550)</u>                               | <u>(8,209,860)</u>        |
| General and administrative expenses                             |      | <u>(5,026,448)</u>                                | <u>(3,917,047)</u>        | <u>(16,266,225)</u>                              | <u>(13,858,525)</u>       |
| <b>Net income from main operations</b>                          |      | <b>166,950,041</b>                                | <b>128,420,492</b>        | <b>542,603,544</b>                               | <b>382,031,734</b>        |
| Financial charges   |      | <u>(4,223,887)</u>                                | <u>(118,402)</u>          | <u>(7,550,925)</u>                               | <u>(249,320)</u>          |
| Other income  |      | <u>693,899</u>                                    | <u>1,354,766</u>          | <u>2,043,618</u>                                 | <u>7,165,829</u>          |
| <b>Net income before Zakat and non<br/>controlling interest</b> |      | <b>163,420,053</b>                                | <b>129,656,856</b>        | <b>537,096,237</b>                               | <b>388,948,243</b>        |
| Zakat   |      | <u>(5,219,693)</u>                                | <u>(3,141,851)</u>        | <u>(15,890,000)</u>                              | <u>(8,867,802)</u>        |
| <b>Net income before non controlling<br/>interest</b>           |      | <b>158,200,360</b>                                | <b>126,515,005</b>        | <b>521,206,237</b>                               | <b>380,080,441</b>        |
| Non controlling interest  |      | <u>(1,490,219)</u>                                | <u>(1,633,715)</u>        | <u>(4,146,999)</u>                               | <u>(4,198,548)</u>        |
| <b>Net income</b>   |      | <b><u>156,710,141</u></b>                         | <b><u>124,881,290</u></b> | <b><u>517,059,238</u></b>                        | <b><u>375,881,893</u></b> |
| <b>Earning per share from:</b>                                  | 8    |   |                           |  |                           |
| Net income from main operations                                 |      | <u>1.59</u>                                       | <u>1.22</u>               | <u>5.17</u>                                      | <u>3.64</u>               |
| Net income  |      | <u>1.49</u>                                       | <u>1.19</u>               | <u>4.92</u>                                      | <u>3.58</u>               |

The accompanying notes 1 through 11 form an integral part of these  
unaudited interim condensed consolidated financial statements

**YANBU CEMENT COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

For the nine months period ended 30 September 2012

Expressed in Saudi Riyals

|   | <u>2012</u>          | <u>2011</u>          |
|---|----------------------|----------------------|
| <b>Operating activities</b>                                     |                      |                      |
| Net income before Zakat and non controlling interest            | 537,096,237          | 388,948,243          |
| <b>Adjustments for:</b>   |                      |                      |
| Depreciation  | 136,409,849          | 82,360,717           |
| Gain on disposal of Property, plant and equipments              | (426,315)            | (7,100)              |
| End of service benefits, net                                    | 466,662              | 7,246,470            |
|   | <u>673,546,433</u>   | <u>478,548,330</u>   |
| <b>Changes in operating assets and liabilities</b>              |                      |                      |
| Accounts receivable and other current assets                    | 2,814,943            | (9,485,716)          |
| Inventories   | (6,596,677)          | 8,683,110            |
| Trade and accounts payable                                      | (115,389,889)        | (67,922,547)         |
| Accrued expenses and other current liabilities                  | (3,088,857)          | (30,565,259)         |
| Zakat paid  | (19,001,264)         | (12,473,522)         |
|   | <u>532,284,689</u>   | <u>366,784,396</u>   |
| <b>Investing activities</b>                                     |                      |                      |
| Purchase of Property, plant and equipments                      | (68,632,313)         | (288,572,560)        |
| Proceeds on disposal of Property, plant and equipments          | 1,457,577            | 7,100                |
|   | <u>(67,174,736)</u>  | <u>(288,565,460)</u> |
| <b>Financing activities</b>                                     |                      |                      |
| Long-term loans received  | --                   | 382,901,906          |
| Long-term loans settled   | (162,531,871)        | (120,950,892)        |
| Bank overdraft  | (1,923,460)          | 3,483,207            |
| Deferred financing costs  | (16,152,000)         | --                   |
| Dividends paid to shareholders                                  | (260,723,195)        | (210,262,740)        |
| Dividends paid to non controlling interest                      | (2,400,000)          | --                   |
| Board of Directors' remunerations                               | (2,200,000)          | (2,200,000)          |
|   | <u>(445,930,526)</u> | <u>52,971,481</u>    |
| <b>Net cash (used in) provided from financing activities</b>    |                      |                      |
|   | <u>(445,930,526)</u> | <u>52,971,481</u>    |
| <b>Net change in cash and cash equivalents</b>                  | 19,179,427           | 131,190,417          |
| <b>Cash and cash equivalents at the beginning of the period</b> | 558,359,361          | 320,040,570          |
|   | <u>577,538,788</u>   | <u>451,230,987</u>   |
| <b>Cash and cash equivalents at the end of the period</b>       |                      |                      |
|   | <u>577,538,788</u>   | <u>451,230,987</u>   |
| <b>Supplemental non-cash information:</b>                       |                      |                      |
| Retained earnings transferred to expansionary provision         | --                   | 218,163,753          |

The accompanying notes 1 through 11 form an integral part of these unaudited interim condensed consolidated financial statements.

## Expressed in Saudi Riyals

**YANBU CEMENT COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

30 September 2012

Expressed in Saudi Riyals

---

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

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

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

The interim condensed consolidated financial statements comprise the financial statements of the parent company and its subsidiary as detailed below:

| <u>Company's name</u>                           | <u>Country of incorporation</u> | <u>Shareholding</u> |
|---|---------------------------------|---------------------|
| Yanbu Saudi Kuwaiti Paper Products Company Ltd. | Kingdom of Saudi Arabia         | 60%                 |

The subsidiary company is engaged in the manufacture of all kinds of cement paper bags and wholesale trade in paper bags of cement.

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

The interim condensed consolidated financial statements are prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and in accordance with Sandi Organization for Certified Public Accountants standard on interim financial information.

Interim condensed consolidated financial statements includes all the adjustments which consist primarily of normal recurring merits considered necessary by the Management to show a fair balance sheet, results of operations and cash flows.

Interim condensed consolidated financial statements do not include all the information and disclosures required for the audited financial statements which are prepared according to the Saudi Organization for Certified Public Accountants. In addition, results presented in these interim condensed consolidated financial statements may not represent an accurate indicator for results for the complete one year.

The interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2011.



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

30 September 2012

Expressed in Saudi Riyals

---

**2. BASIS OF PREPARATION (continued)**

**(b) Basis of measurement**

The interim condensed consolidated financial statements are prepared under the historical cost basis, except for investments in mutual funds, which are stated at their fair values, using the accrual basis of accounting and the going concern concept.

**(c) Functional and presentation currency**

The interim condensed consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional currency.

**(d) Use of estimates and judgments**

The preparation of interim condensed consolidated financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the interim condensed consolidated financial statements is included in the following notes:

- **Impairment of trade accounts receivable**

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

- **Impairment of inventories**

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

30 September 2012

Expressed in Saudi Riyals

---

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies followed by the Group in preparing these interim condensed consolidated financial statements are consistent with the policies used in preparing the consolidated financial statements for the year ended December 31, 2011. Significant accounting policies adopted by the Group for the preparation of these interim condensed consolidated financial statements are as follows:

**Basis of consolidation**

The interim condensed consolidated financial statements comprise the interim financial statements of the parent company and its subsidiary, as explained in Note (1) above. Associates and jointly-controlled entities are accounted for using the equity method.

**1. Subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries and those arising between the subsidiaries are eliminated in preparing these consolidated financial statements. Any unrealized gains and losses arising from intra-group transactions are also eliminated on consolidating the interim condensed consolidated financial statements.

**2. Non-controlling interest**

Any changes in a group's ownership interest in a subsidiary after acquiring control, is accounted as an equity transactions and the carrying amounts of the non controlling interest is adjusted against the fair value of the consideration paid and any difference is recognised directly in equity under "Effect of acquisitions transaction with non controlling interest shareholders without change in control". Purchase of equity by the amount exceeding the carrying value of the net share acquired will result in trading goodwill. Disposals to non controlling interest, if any, result in gains and losses for the Group that are recorded in the income statement if control is lost.

**Accounts receivable**

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

30 September 2012

Expressed in Saudi Riyals

---

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Inventories**

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

**Deferred financing costs**

Deferred financing costs represents the industrial evaluation costs relating to line 5 project which will be amortized using straight line method over the loan period. Deferred financing costs measured at cost less the accumulated amortization.

**Property, plant and equipments**

Property, plant and equipments is stated at cost less accumulated depreciation and any impairment in value, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

All other expenditure is recognized in the income statement when incurred. Depreciation is charged to the interim consolidated statement of income on a straight-line basis over the estimated useful lives of individual item of Property, plant and equipments.

Expenditures for repairs and maintenance are charged to interim consolidated statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalized

Freehold land is not depreciated. The cost less estimated residual value of Property, plant and equipments is depreciated on a straight line basis over the estimated useful lives of the assets - effective from its date of purchase or construction. Paper products factory buildings and paper products factory plant and equipment relating to the subsidiary are depreciated using the units of production method.

**Accounts payable and accruals**

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

30 September 2012

Expressed in Saudi Riyals

---

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Provisions**

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefit, will be required to settle the obligation.

**End of service benefits**

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

**Revenue recognition**

Revenue is recognized, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably normally on delivery to the customer net of trade and quantity discounts.

**Expenses**

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

**Zakat**

In accordance to Zakat financial accounting standard, Zakat provision for individual fiscal periods is measured and recognized in accordance with Saudi Arabian Zakat rules and regulations on accrual basis. Zakat for the period was accounted for on estimate basis. The liability is charged to the condensed consolidated statement of income in an independent item. Zakat is accounted for on accurate basis when issuing the annually audited consolidated financial statement.

**Translation of foreign currencies**

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

30 September 2012

Expressed in Saudi Riyals

---

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Dividends**

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

**Cash and cash equivalents**

Cash and cash equivalents comprise bank balances, cash in hand, time deposits and investments in mutual funds readily convertible to cash and has a maturity of 3 months or less as at the original investment date.

**Segment reporting**

A segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segmental reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

**Impairment and uncollectability of financial assets**

Property, plant and equipments and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

**4. DEFERRED FINANCING COSTS**

On June 7, 2010, the company signed a loan agreement with the Saudi Industrial Development Fund (the Fund) by total amount of SR 300 million, out of which SR 22.5 million was deducted as industrial evaluation costs to finance a project of the fifth line of the company. On April 1, 2012, the fifth line project has been completed and capitalized and transferred to Property, plant and equipments, part of the industrial evaluation costs amounting to SR 4.9 million has been capitalized as a part of project cost which related to the period from obtaining the loan until the completion of the project on March 31, 2012. The remaining balance amounting to SR 17.6 million will be amortized over the loan period ending April 30, 2018, and thus were classified as deferred financing costs under non-current assets. The portion which has been charged to the income statement for the period from these costs amounting to SR 1.4 million.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

30 September 2012

Expressed in Saudi Riyals

**5. PROPERTY, PLANT AND EQUIPMENTS**

On April 1<sup>st</sup>, 2012 the commercial operation of fifth line starts and the total cost of fifth line amounting to SR 1.82 billion, the project initially delivered due to some work that had not been completed, but it does not impede the start of commercial operation.

All Property, plant and equipments of fifth production line are mortgaged to Saudi industrial Development fund against long term loan from SIDF loan.

**6. LONG TERM LOANS**

Yanbu Cement Company obtained bank facilities amounting to SR 1.2 billion from a local bank to finance the construction of fifth production line with no guarantee. The payment of installments started from 31 March 2011 with an amount of SR 20 million in monthly basis.

Yanbu Saudi Kuwaiti Products Company (a Subsidiary) obtained bank facilities amounting to SR 2 million to cover its obligations against construction contractors and to finance local and foreign purchase of the equipment required. The loan is secured by a guarantee from the Parent Company (Yanbu Cement Company Saudi Joint Stock Company).

The loan from Saudi Industrial Development Fund (SIDF) was obtained to finance the construction of the fifth production line. The total outstanding balance as of September 30, 2012 is amounting to SR 270 million from the total approved loan amount of SR 300 million and the balance un availed facility amounted to SR 30 million. The loan is secured by a mortgage of Property, plant and equipments of fifth production line. The loan agreement contains covenants and certain financial ratios to be maintained.

Long term loans are presented in the balance sheet as follows:

|  | <u>2012</u>          | <u>2011</u>          |
|--|----------------------|----------------------|
| Current portion shown under current liabilities            | 268,375,828          | 243,375,828          |
| Non-current portion shown under<br>non-current liabilities | <u>851,232,191</u>   | <u>1,089,608,019</u> |
|  | <u>1,119,608,019</u> | <u>1,332,983,847</u> |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

30 September 2012

Expressed in Saudi Riyals

---

**7. ZAKAT STATUS**

**Yanbu Cement Company (A Saudi Joint Stock Company)**

Zakat assessment has been finalized with the Department of Zakat and Tax (DZIT) for the year ending December 31, 2004, The Company has filed its zakat returns for the years from December 31, 2005 until 2011 and still waiting for DZIT final assessment.

**Yanbu Saudi Kuwaiti Paper Products Company (Subsidiary)**

Zakat assessment has been finalized with the Department of Zakat and Tax (DZIT) for the years up to December 31, 2008, The Company has filed its zakat returns for the years from December 31, 2009 until 2011 which are still under review by DZIT.

**8. EARNING PER SHARE**

Earnings per share from net income from operations are calculated by dividing the net income from operations for the period by the weighted average number of shares amounting to 105,000,000 shares ( 2011: 105,000,000 shares) during that period, earnings per share from net profit are calculated by dividing net profit for the period by the weighted average number of shares during the period amounting to 105,000,000 shares (2011: 105,000,000 shares).

**9. CAPITAL COMMITMENTS AND CONTINGENCIES**

- a) As of September 30, 2012 the capital commitments relating to projects under process was amounting to SR 28.4 million approximately.
- b) As of September 30, 2012 the contingent liabilities against Banks letter of guarantees issued on behalf of the Company was amounting to SR 10.1 million approximately.

**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of the financial instruments. The Group is subject to interest rate risk on its interest bearing assets and liabilities mainly bank overdraft and bank facilities. The management limits the company's interest rate risk by monitoring changes in interest rates.

**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

30 September 2012

Expressed in Saudi Riyals

---

**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

The Group's financial current liabilities consist of the current portion of bank facilities, trade accounts payables, dividends payable and accrued expenses and other liabilities. All the financial liabilities are expected to be settled within 12 months of the balance sheet date and the Company expects to have adequate funds available to do so.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Cash and cash equivalents of the Group standing at the balance sheet date are placed with national banks with sound credit ratings. Trade receivables are mainly due from local customers and related parties, 79% as of September 30, 2012 (2011: 79%) of the Group's trade receivables are due from five main customers (2011: 5 customers). Trade receivables are stated at their estimated realizable values. The Company seeks to limit its credit risk with respect to customers by setting limits for individual customers and monitoring outstanding receivables and obtaining letters of guarantee and letters of credit from customers as a guarantee.

**Currency risk**

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not exposed to fluctuations in foreign exchange rates during its ordinary course of business, since all significant transactions of the Group during the period are in Saudi Riyal and US Dollars and there is no significant risks related to balance stated at US Dollars since the exchange of Saudi Riyal against the US Dollar is fixed.

**Fair values of financial instruments**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The company's financial assets consist of cash and cash equivalent, accounts receivables and other assets, its financial liabilities consist of bank facilities, trade accounts payables, dividends payables accrued expenses and other liabilities.

The fair values of financial instruments are not materially different from their carrying values.

**11. SEGMENT INFORMATION**

The company has one operating segment representing in the production of Cement, Company's principal operations are only within the Kingdom of Saudi Arabia; therefore, financial information has not been segmented into various business or geographical segments. Subsidiary's financial information are not significant for Group financial statements for segment reporting purposes.