

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

INTERIM FINANCIAL STATEMENTS
AND LIMITED REVIEW REPORT FOR THE
THREE-MONTH AND THE YEAR
ENDED DECEMBER 31, 2011

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I N D E X

	<u>Pages</u>
Limited Review Report	2
Interim Balance Sheet	3
Interim Statement of Income	4
Interim Statement of Cash Flows	5
Notes to the Interim Financial Statements	6 – 10

LIMITED REVIEW REPORT

To the shareholders of
The Saudi Cement Company
Dammam – Kingdom of Saudi Arabia

Scope of the Review

We have reviewed the accompanying interim balance sheet of the Saudi Cement Company (a Saudi joint stock company) as of December 31, 2011 and the related interim statement of income for the three- month and the year then ended, and the interim statement of cash flows for the year then ended, including the related notes from 1 to 9 which form an integral part of these interim financial statements as prepared by the company and presented to us with all the necessary information and explanations we required. These interim financial statements are the responsibility of the company's management.

We conducted our review in accordance with the interim financial statements review standard established by the Saudi Organization for Certified Public Accountants. A review of the interim financial statements consists principally of applying analytical procedures to the financial data, and making inquiries of persons responsible for financial and accounting matters in the company. It is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards, the objective of which is the expression an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review result

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

For Dr. Mohamed Al-Amri & Co.



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



16/02/1433 (H)
10/01/2012 (G)

SAUDI CEMENT COMPANY
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INTERIM BALANCE SHEET AS AT DECEMBER 31, 2011

	<u>Notes</u>	<u>2011</u> <u>SR'000</u>	<u>2010</u> <u>SR'000</u>
<u>ASSETS</u>		Reviewed	Audited
Current Assets			
Cash and cash equivalents		231,717	90,739
Accounts receivable		173,830	213,509
Inventories		478,867	525,381
Prepayments and other debit balances		51,681	40,847
Total current assets		936,095	870,476
Non- current assets			
Investments	5	80,145	68,836
Fixed assets –net		3,516,146	3,368,109
Capital work in progress		67,463	309,252
Total non- current assets		3,663,754	3,746,197
Total assets		4,599,849	4,616,673
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
Current liabilities			
Islamic Tawarruq loans	7	70,000	440,000
Islamic Medium Term loan – current portion		370,000	-
Saudi Industrial Development Fund (SIDF) loan- current portion		110,000	46,000
Accounts payable		43,512	41,069
Accruals and other credit balances		230,965	208,486
Total current liabilities		824,477	735,555
Non- current liabilities			
Saudi Industrial Development Fund (SIDF) loan		420,000	440,800
Provision for end of service benefits		72,177	69,080
Total non- current liabilities		492,177	509,880
Stockholders' Equity			
Paid up capital (represents 153,000,000 shares fully paid of SR 10 each.)	1	1,530,000	1,530,000
Statutory reserve	4	659,168	575,953
Voluntary reserve- Al Ahsa Trauma Center	1	50,000	50,000
Voluntary reserve- un appropriated		20,000	20,000
Retained earnings	8	1,024,027	1,195,285
Total stockholders' equity		3,283,195	3,371,238
Total liabilities and stockholders' equity		4,599,849	4,616,673

The accompanying notes 1 to 9 form an integral part of these interim financial statements.



SAUDI CEMENT COMPANY
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INTERIM STATEMENT OF INCOME FOR THE THREE-MONTH AND
YEAR ENDED DECEMBER 31, 2011

	For the three months ended December 31, 2011 SR'000	For the three months ended December 31, 2010 SR'000	For the Year ended December 31, 2011 SR'000	For the Year ended December 31, 2010 SR'000
Note	Reviewed	Reviewed	Reviewed	Audited
Sales	442,733	367,736	1,716,095	1,526,151
Cost of sales	(203,040)	(188,643)	(765,095)	(757,245)
Gross income	239,693	179,093	951,000	768,906
Selling and distribution expenses	(8,025)	(11,159)	(35,809)	(39,072)
General and administrative expenses	(11,658)	(10,277)	(50,119)	(48,446)
Operating income	220,010	157,657	865,072	681,388
Share in profit/(loss) of associated companies	632	2,094	(1,510)	7,729
Islamic Murabaha income	73	26	163	252
Islamic and SIDF loans charges	(3,635)	(4,236)	(17,414)	(21,522)
Others, net	662	530	7,183	8,591
Net Income before zakat	217,742	156,071	853,494	676,438
Zakat	(5,443)	(4,044)	(21,337)	(16,911)
Net income	212,299	152,027	832,157	659,527
Earnings per share (SR)	3			
Earnings per share from net income	1.39 SR	0.99 SR	5.44 SR	4.31 SR
Earnings per share from continuing main operations	1.38 SR	0.98 SR	5.40 SR	4.20SR
Earnings per share from continuing other operations	0.01 SR	0.01 SR	0.04 SR	0.11 SR
Weighted average number of shares	153,000,000 shares	153,000,000 shares	153,000,000 shares	153,000,000 shares

The accompanying notes 1 to 9 form an integral part of these interim financial statements.



SAUDI CEMENT COMPANY
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**INTERIM STATEMENT OF CASH FLOWS FOR THE YEAR
ENDED DECEMBER 31, 2011**

	2011 SR'000 Reviewed	2010 SR'000 Audited
Cash flows from operating activities:		
Net income before zakat	853,494	676,438
Adjustments for :		
Depreciation	186,262	212,753
End of service benefits provision	10,587	7,962
Islamic Murabaha income	(163)	(252)
Company's share in loss/(profit) of associated companies	1,510	(7,729)
Islamic loans charges	17,414	21,522
Gain on disposal of fixed assets	(1,250)	(4,078)
Changes in operating assets and liabilities :		
Accounts receivable	39,679	(58,650)
Inventories	46,514	120,328
Prepayments 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	1,164,692	937,593
Islamic and SIDF loans charges paid	(15,580)	(22,837)
End of service benefits paid	(7,490)	(12,816)
Zakat paid	(23,633)	(9,697)
Net cash from operating activities:	1,117,989	892,243
Cash flows from investing activities		
Additions to fixed assets and capital work in progress	(92,581)	(66,370)
Proceeds from disposal of fixed assets	1,321	4,201
Dividends received from associated companies	5,366	10,732
Islamic Murabaha income	90	226
Investments	(18,185)	-
Net cash used in investing activities	(103,989)	(51,211)
Cash flows from financing activities		
Islamic Tawarruq loans	(370,000)	(290,000)
Islamic Medium term loan	370,000	(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 dividends (note 1)

510,000

The accompanying notes 1 to 9 form an integral part of these interim financial statements.



**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH AND
THE YEAR ENDED DECEMBER 31, 2011**

1- ORGANISATION 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 al Thani, 1375 H (corresponding to November 23, 1955).

The principal activity of the Company is manufacturing and selling of cement and related products.

The Company's share capital amounts to SR 1,530,000,000 consisting of 153 million shares of fully paid par value of SR 10 each.

The shareholders in their Extra-ordinary General Meeting (EGM) of 4/6/1431 H (corresponding to 18/5/2010 G) 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 interim financial statements have been prepared under the historical cost convention on the accruals basis of accounting in accordance with generally accepted accounting principles applicable in Saudi Arabia. The accounting policies used in the preparation of the interim financial statements are consistent with the accounting policies used for the preparation of annual financial statements.

The following is a summary of these accounting policies:

a) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles require 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 interim financial statements and the reported amount of revenues and expenses during the this period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH AND
THE YEAR ENDED DECEMBER 31, 2011**

b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at banks, deposits, and short term investments that can be converted easily to cash and has a maturity date of three months or less from the date of purchasing it.

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.

c) Inventories

Finished goods and work in process inventories represent the cost of raw materials, labor, 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 at weighted average cost.

d) 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 light of change in the Company's shares of 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 period is included in the interim statement of income.

e) 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. The annual depreciation rates are as following:

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH AND
THE YEAR ENDED DECEMBER 31, 2011**

f) End of service benefits

End of service benefits, payable to employees upon their termination, are provided in the financial statements based on the employees period of service, in accordance with Saudi Arabian Labor Law.

g) Sales

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

h) Selling and distribution expenses, 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.

i) Employees' early retirement program

The Company has a voluntary 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 installments. Under the lump sum payment option, the total amount paid is expensed in the year the employee retires. Under the monthly payment option, a liability is established in the year of retirement for all future payments.

j) Foreign currency translation

Transactions denominated in foreign currencies are translated to Saudi Riyals at exchange rates prevailing on the date of such transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Saudi Riyals at exchange rate prevailing at that date. Gains or losses from settlement and translation of foreign currency transactions are included in the interim statement of income.

k) Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that assets have suffered from 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 is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH AND
THE 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 increases 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.

l) 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 for each interim period is estimated. The actual zakat provision is calculated at the year end and any difference is adjusted in the fourth interim quarter when the final zakat assessment is approved any difference between it and the zakat estimates is recorded in the income statement, and zakat provision is adjusted accordingly.

m) 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- EARNINGS PER SHARE

- Earnings per share is computed by dividing net income for the period by the weighted average number of shares outstanding .
- Earnings 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.
- Earnings 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.

4- STATUTORY RESERVE

In accordance with the regulations for companies in the Kingdom of Saudi Arabia and the Company's articles of association, the company established a statutory reserve by the appropriation of 10% of net income until the reserve equaled 50% of the share capital and this reserve is not available for dividends distribution.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH AND
THE YEAR ENDED DECEMBER 31, 2011**

5- INVESTMENTS

Subsequent to Saudi Cement Company's Board of directors' approval on 9/11/2010 G (3/12/1431H) of an investment in the State of Kuwait amounting to Kuwaiti Dinars (KD) 4 million, the Company has subscribed to a share of 40% in the formation of International Group Cement Company (a Kuwaiti Closed Joint Stock Company). The articles of association of this Company was signed on 23/10/2011 (25/11/1432 H). The authorized share capital of the Company amounts to KD 10 million divided into 100 million shares of 100 fils per share. The paid up capital amounts to KD 2 million. The Saudi Cement Company paid an amount of KD 800,000 for its share in the paid up capital.

6- 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.

7- ISLAMIC TAWARRUQ LOANS

They represent Islamic Tawarruqs which mature within a period not exceeding one year, and they have been obtained for the purpose of financing the expansion projects as well as normal working capital requirements. Management believes that it has the ability to rollover these loans if the need arises at the time of maturity. Therefore, it is expected that these loans may be repaid over a period exceeding one year.

8- RETAINED EARNINGS

The shareholders in their general assembly meeting on 18/4/1432 H (corresponding to 23/3/2011 G) approved the dividend proposed by the board of directors equaling 40% of the paid up share capital (SR 4 per share) amounted to SR 612 million (2010: SR 357 million). And approved in the same meeting for board of members remuneration (SR 2.2 million). Payments of dividends commenced from April 3, 2011.

The Board of Directors resolved during its meeting held on 20/7/1432 H (corresponding to 23/6/2011 G) to pay interim dividends for first half of 2011 at the rate of SAR 2 per share, representing 20% of paid up capital amounted to SR 306 million. Entitlement to the distribution would be to stockholders on record as at the end of Tadawul dealings on Wednesday 05/8/1432H corresponding to 06/7/2011. Disbursement commenced on Wednesday 19/8/1432H corresponding to 20/7/2011.

9- THE INTERIM PERIOD RESULTS

The results of operations in the interim period may not necessarily present a precise indicator for the actual results for the whole year.