

SAUDI CEMENT COMPANY  
(A Saudi Joint Stock Company)

INTERIM FINANCIAL STATEMENTS  
AND REVIEW REPORT FOR THE  
THREE-MONTH AND NINE-MONTH  
PERIODS ENDED SEPTEMBER 30, 2011

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

**INTERIM FINANCIAL STATEMENTS AND LIMITED REVIEW REPORT**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS**  
**ENDED SEPTEMBER 30, 2011**

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## 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 September 30, 2011 and the related interim statement of income for the three- month and nine- month periods then ended, and the interim statement of cash flows for the nine- month period then ended, including the related notes from 1 to 8 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



October 12, 2011 (G)  
Thou Alqada 14, 1432 (H)

**SAUDI CEMENT COMPANY**  
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**INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2011 (UN-AUDITED)**

	<u>Notes</u>	<u>2011</u> <u>SR'000</u>	<u>2010</u> <u>SR'000</u>
<b><u>ASSETS</u></b>			
<b>Current Assets</b>			
Cash and cash equivalents		61,464	92,557
Accounts receivable		183,842	204,772
Inventories		491,837	537,403
Prepayments and other debit balances		59,197	42,827
<b>Total current assets</b>		<b>796,340</b>	<b>877,559</b>
<b>Non- current assets</b>			
Investments	5	79,513	66,742
Fixed Assets –net		3,333,215	3,419,071
Capital work –in-progress		293,662	299,495
<b>Total non- current assets</b>		<b>3,706,390</b>	<b>3,785,308</b>
<b>Total Assets</b>		<b>4,502,730</b>	<b>4,662,867</b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>			
<b>Current liabilities</b>			
Islamic Tawarruq loans	7	580,000	650,000
Saudi Industrial Development Fund (SIDF) loan-current portion		70,000	46,000
Accounts payable		49,452	38,986
Accruals and other credit balances		200,632	196,992
<b>Total current liabilities</b>		<b>900,084</b>	<b>931,978</b>
<b>Non- current liabilities</b>			
Saudi Industrial Development Fund (SIDF) loan		460,000	440,800
Provision for end of service benefits		71,750	68,692
<b>Total non- current liabilities</b>		<b>531,750</b>	<b>509,492</b>
<b>Stockholders' Equity</b>			
Paid up capital (represents 153,000,000 shares fully paid of SR 10 each.)	1	1,530,000	1,530,000
Statutory reserve	4	575,953	510,000
Voluntary reserve- Al- Ahsa Trauma Center	1	50,000	50,000
Voluntary reserve- un appropriated		20,000	20,000
Retained earnings		894,943	1,111,397
<b>Total stockholders' equity</b>		<b>3,070,896</b>	<b>3,221,397</b>
<b>Total liabilities and stockholders' equity</b>		<b>4,502,730</b>	<b>4,662,867</b>

The accompanying notes 1 to 8 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  
NINE- MONTH PERIODS ENDED SEPTEMBER 30, 2011 (UN AUDITED)**

	For the three months ended September 30, 2011 SR'000	For the three months ended September 30, 2010 SR'000	For the nine months ended September 30, 2011 SR'000	For the nine months ended September 30, 2010 SR'000
<b>Note</b>				
Sales	387,257	327,103	1,273,362	1,158,415
Cost of sales	(163,047)	(163,171)	(562,055)	(568,602)
<b>Gross income</b>	<b>224,210</b>	<b>163,932</b>	<b>711,307</b>	<b>589,813</b>
Selling and distribution expenses	(7,194)	(9,482)	(27,784)	(27,913)
General and administrative expenses	(12,462)	(11,417)	(38,461)	(38,184)
<b>Operating income</b>	<b>204,554</b>	<b>143,033</b>	<b>645,062</b>	<b>523,716</b>
Company's share in profit (loss) of associated companies	400	4,316	(2,142)	5,635
Islamic Murabaha income	17	-	90	226
Islamic loans and SIDF loan charges	(5,351)	(4,443)	(13,779)	(17,286)
Others, net	642	830	6,521	8,061
<b>Net Income before zakat</b>	<b>200,262</b>	<b>143,736</b>	<b>635,752</b>	<b>520,352</b>
Zakat	(5,007)	(3,452)	(15,894)	(12,867)
<b>Net income for the period</b>	<b>195,255</b>	<b>140,284</b>	<b>619,858</b>	<b>507,485</b>
<b>Earnings per share (SR)</b>				
Earnings per share from net income For the period	1.28 SR	0.92 SR	4.05 SR	3.32 SR
Earnings per share from continuing main operations	1.27 SR	0.88 SR	4.02 SR	3.23 SR
Earnings per share from continuing other operations	0.01 SR	0.04 SR	0.03 SR	0.09 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 8 form an integral part of these interim financial statements.



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**INTERIM STATEMENT OF CASH FLOWS FOR THE NINE-MONTHS  
PERIOD ENDED SEPTEMBER 30, 2011 (UN AUDITED)**

	2011 SR'000	2010 SR'000
<b>Cash flows from operating activities:</b>		
Net income before zakat	635,752	520,352
Adjustments for :		
Depreciation	136,273	159,375
End of service benefits provision	8,770	5,438
Company's share in (loss) profit of associated companies	2,142	(5,635)
Islamic and SIDF loans charges	13,779	17,286
Gain on sale of fixed assets	(1,250)	(4,076)
Changes in operating assets and liabilities :		
Accounts receivable	29,667	(49,913)
Inventories	33,544	108,306
Prepayments and other debit balances	(18,350)	4,853
Accounts payable	8,383	(30,097)
Accruals and other credit balances	(4,919)	(16,234)
<b>Cash from operations</b>	<b>843,791</b>	<b>709,655</b>
Islamic and SIDF loans charges paid	(13,376)	(14,788)
End of service benefits paid	(6,100)	(10,680)
Zakat paid	(23,633)	(9,697)
<b>Net cash from operating activities:</b>	<b>800,682</b>	<b>674,490</b>
<b>Cash flows from investing activities :</b>		
Additions to fixed assets and capital work in progress	(85,860)	(54,189)
Proceeds from sale of fixed assets	1,321	4,191
Investments	(18,185)	-
Dividends received from associated companies	5,366	10,732
<b>Net cash used in investing activities</b>	<b>(97,358)</b>	<b>(39,266)</b>
<b>Cash flows from financing activities:</b>		
Islamic Tawarruq loans	140,000	(80,000)
Islamic Medium term loan	-	(272,392)
Saudi industrial development fund (SIDF) loan	43,200	(20,000)
Directors' remuneration paid	(2,200)	(2,185)
Dividends paid	(913,599)	(354,906)
<b>Net cash (used in)from financing activities</b>	<b>(732,599)</b>	<b>(729,483)</b>
<b>Net change in cash and cash equivalents</b>	<b>(29,275)</b>	<b>(94,259)</b>
Cash and cash equivalents, January 1	90,739	186,816
<b>Cash and cash equivalents, September 30</b>	<b>61,464</b>	<b>92,557</b>
<b>Non- cash transactions :</b>		
Share capital increase by stock dividends (note 1)		510,000

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**SAUDI CEMENT COMPANY**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH AND  
NINE- MONTH PERIODS ENDED SEPTEMBER 30, 2011 (UN AUDITED)**

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**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.



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NINE- MONTH PERIODS ENDED SEPTEMBER 30, 2011 (UN AUDITED)**

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**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, 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%



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**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.

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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 assessment and the zakat estimates is recorded in the income statement.

**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.

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). Dividends were distributed to the shareholders registered in Tadawul records as of the end of the day of general assembly meeting on 23/3/2011 G. 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. 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.

**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 .



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- 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.

**5- INVESTMENTS**

On 3/12/1431H (corresponding 9/11/2010 G) The board of directors of the Company approved to contribute KD 4 million for the formation of a closed Joint Stock Company in Kuwait with partners from Kuwait. The new company will carry out cement distribution activities in Kuwait. During the period, Saudi Cement Company subscribed for shares with nominal value of KD 800,000, and transferred the amount to the bank account of the Company Under-formation.

**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- 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.