



**Board of Directors Report** 

For The Year Ending 31/12/2011

to

The 46th Ordinary General Assembly

Riyadh on 04 /04/1433H corresponding to 26/02/2012G





Custodian of the Two Holy Mosques King Abdullah bin Abdulaziz Al Saud



His Royal Highness

Prince Naif bin Abdulaziz al Saud

Crown Prince, Deputy Prime Minister of Council

Minister of Interior



Chairman Ben Abdulaziz



**Vice Chairman and Managing Director** HH/Prince Turki Ben Mohammed HH/Prince Sultan Ben Mohammed Ben Saud Al-Kabeer



HH/Prince Khaled Ben Mohammed Ben Abdulaziz Ben Turki



Mr/ Rashid Mubarak Al-Muraishid



Dr/ Khalid Ben Sulaiman Al-Rajihi



Mr/ Turki Ben Nasir Al-Mutawa



Mr/ Saud Ben
Mohammed Al-Dablan



Eng/ Ibrahim Ben Abdulaziz Almuhanna



Mr/ Fahed Ben
Thinyan Al-thinyan



Mr/ Jamal Ben Ahmed Al-Ajajy (GOSI Representative)



Mr/ Mubark Ben Jaber Al-Mehimeed (Public Pension Agency Representative)

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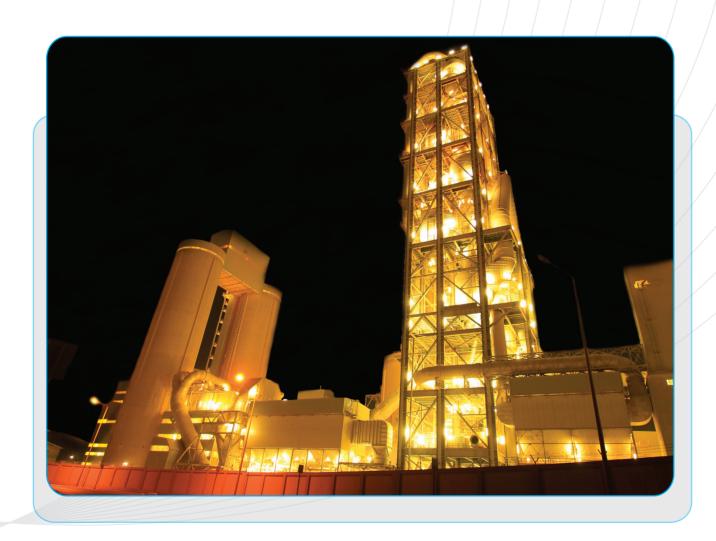
#### **Board of Directors Report**

To the 46<sup>th</sup> Ordinary General Assembly of the Company's Shareholders Which will be Held in Riyadh

On 04 /04/1433H corresponding to 26/02/2012G

#### Dear Shareholders,

YSCC is pleased to present its annual report concerning the performance and business outcomes of the company for the fiscal year 2011. The company was able to keep up its positive results in terms of production and marketing processes that are reflected on the net profit despite many challenges that confronted the company during this year, the most significant among which are emergence of new capacities in the market, the increase of competition severity in cement industry as well as the declining of fuel supply.



#### **Board of Directors Report**

#### 1<sup>st</sup> The Company Activity:

The company manufactures many types of cement; (ordinary, sulphate resistant, finishing cement and modified cement) in its factory located in Riyadh city. It also deals in domestic trading and marketing of the produced cement.

The current annual production capacity of the kilns is (6) million tons of clinker, which is equivalent to (6.3) million tons of cement per year.

#### 2<sup>nd</sup> Business Results of the Company:

#### 1. Company's Sales & Profits

Quantity of cement sold was (6,010) million tons versus (5,471) million tons in the year 2010, with an increase of (10%). It is worth mentioning that the Kingdom overall consumption of cement amounted to (46,961) million ton in the year 2011 compared to (41,240) million ton in the year 2010, with an increase of (14%).

The company gross profit amounted to SR (809) million in 2011 compared to SR (712) million in 2010, with an increase of (14%). The net profit has amounted to SR (740) million in 2011 versus SR (657) million in 2010, with an increase of (13%). This increase is attributed to the rise of local demand for cement and the improvement of the company marketing performance.

The following diagram shows the sales value and the net profit during the last five years (2007 – 2011):

### Sales Value and Net Profit from 2007 to 2011 (SR Million)



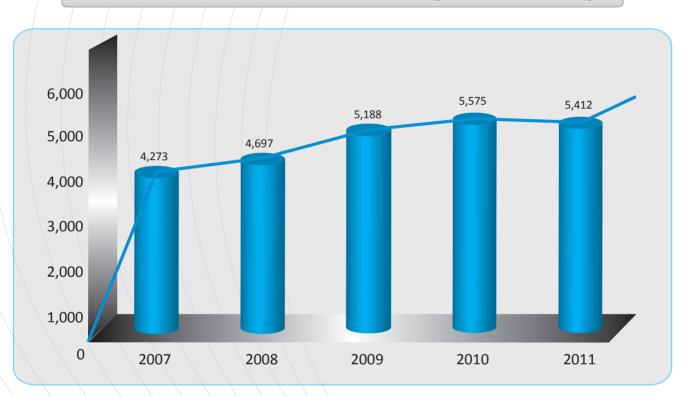
#### 2. Production

The factory production of clinker amounted to (5,412) million tons during 2011 versus (5,575) million tons during the year 2010, with decrease of (3%).

Cement production amounted to (5,976) million tons in 2011 versus (5,521) million tons in 2010, with an increase of (8%). This increase of production attributed to the need of fulfilling the increase of the quantity sold.

The following diagram shows the progress of the Production of Clinker during the last five years (2007 – 2011):

### **Production of Clinker from 2007 to 2011 (Thousand of Tons)**



#### 3. Geographic Distribution of YSCC Revenues

All Company Sales were achieved in the central region in the Kingdom. YSCC did not export any of its sales outside the Kingdom in implementation of the banning decree issued on June 2008.

(in Thousand tons)

Statement	Quantities sold in 2011	Quantities sold in 2010
Local Sales	6,010	5,471
Foreign Sales		
Total	6,010	5,471

#### 3<sup>rd</sup> Future projects & plans

The company has developed and implemented diverse policies to rationalize the costs and the operation expenses and to improve its products in order to maintain its market share. These projects and plans include the followings:

#### 1. Yamama ERP System project "YES"

To complete this project, Yamama Cement has accomplished the following phases during the year 2011.

- The phase of studying the current status of the policies & procedures in the Company.
- Re-engineering of business processes. This phase concerns the development of procedures and policies being applied in order to be in line with the best practices.
- The phase of selecting the program to be introduced.
- Meeting the businesses processes. It is the phase that applies the new procedures & policies with the selected program, detects any gaps and attempts to avoid them.

Currently, the company is working on the implementer selection phase and starting implementation.

#### 2. Investment in Yemeni Saudi Cement Co.

As mentioned in the previous report of the Board of Directors of the Company, YSCC in the 1<sup>st</sup> quarter of 2010 has purchased 20% of Yemeni Saudi Co. paid-up capital which amounts \$ 100 million (SR 375 million). Accordingly, the share of the company is SR 75 million that has been funded through the cash flow generated from the company business activity. Yemeni Saudi cement Co. owns Batais Cement Plant located in Abyn Governorate near Aden city with a designed capacity of 1.4 million ton per year .It is to be noted that the factory is at the beginning of its experimental operation. The commercial operation was expected to start at the end of 2011, but due to the current circumstances of Republic of Yemen, the experimental operation has not started in its due date and the situation being closely followed.

#### 3. Study of Replacing the Old Production Lines with a New one:

To meet the continued local demand for cement, and to reduce the operational cost, YSCC has carried out a study to establish a new production line with a capacity of 10 thousand tons of clinker/day to replace the five old lines that have a capacity of 5.6 thousand tons of clinker/day. Therefore, the total capacity of the factory will reach 23 thousand tons of clinker/day after replacement. The feasibility study is completed and the YSCC is preparing the project documentation to send them to the selected suppliers.

#### 4<sup>th</sup> Dealing with related parties

During the year, the company transacts with related parties within the normal scope of its business, and it evaluates those transactions according to the fair value as shown in

(in Thousands SR)

Related party	Nature of Relation	Type of Transaction	Transactions value in 2011	Balance on 31-12-2011
Cement Products Industry Co. (Jeddah)	YSCC owns 33.33% of the company Paid-up capital	Purchase paper sacks for cement packing	36,324	3,950
Arabian Shield Insurance Co.*	YSCC owns 5% of the company Paid-up capital	Insurance	9,838	(485)
Yemen Saudi Cement Co.**	YSCC owns 20% of the company Paid-up capital	Cement production	0,000	19,515

<sup>\*</sup>Arabian Shield Cooperative Insurance Co. has been technically and financially selected among some insurance companies on competition basis.

<sup>\*\*</sup> A nominal value of 20% shares were purchased with an amount of SR 75 million in Yemeni Saudi Cement Co. which its paid up capital is SR 375 million (\$ 100 million) by purchasing a part of Yemeni and Saudi partners shares, Yamama has purchased 4% of the shares of HH/ Prince Sultan Ben Mohammed Ben Saud Alkabeer the deputy chairman of BOD and Managing Director of YSCC who is one of the partners of Yemeni Saudi Cement Co.

### **5th** The Company Investments

YSCC invests in some companies. The following table shows the values of these investments as of 31/12/2011:-

Company Name	Yamama Share(%)	Value of Investment as of 31/12/2011 (in Thousands)
Cement products Industry Co. ( Jeddah)	33.33%	23,458
Energy Industries & Services Co. – closed Stock Co.	5.625%	112,500
Al Kayan Petro-chemical Co.(Kayan) – closed Stock Co.*	0.0625%	16
Al Kayan Saudi Petro-chemical Co. Join Stock Co.	0.0625%	16,313
Sahara Petro-chemical Co - Joint Stock Co.	1.167%	79,349
Arabian Shield Cooperative Insurance Co Joint Stock Co.	5%	20,700
Hail Cement Co Joint Stock Co.	6.13%	91,800
Yemeni Saudi Cement Co.	20%	75,060
Total Investments		419,196

<sup>\*</sup> Investment of all shareholders (including YSCC) in Alkayan Petro-chemical Co.has been transferred to Alkayan Saudi Petro-Chemical in accordance with the share of each partner, in addition to a transfer of an amount of (SR 609.375) in cash. A decision shall be taken by Kayan Co. shareholders about its legal status and shall be announced in future.

On 05/12/2011 Kuwaiti Sudanese Co. has been liquidated based on the liquidation committee decision. A bank cheque of an amount of KD 1,040,000 (SR 14 million) representing the share of YSCC in the liquidation process has been received. The loss of YSCC amounted to (SR 214 thousand). The results of YSCC shareholding were registered in the books.

### 6<sup>th</sup> Loans

#### (in Thousands SR)

Loan Granted By	Duration of the loan	Amount of the Loan Granted	Paid installment	Balance as of 01/01/2011	Paid during 2011	Balance by the end of 2011
Industrial De- velopment Fund (IDF) Loan	8 years	459,796	192,525	267,271	77,379	189,892

### Payable Loans

### (in Thousands SR)

Date	Amount
09/01/2012	44,605
04/07/2012	47,517
28/12/2012	49,653
23/06/2013	7,548
18/12/2013	9,435
13/06/2014	10,378
07/12/2014	10,378
02/06/2015	10,378
Total payable	189,892

### **7**<sup>th</sup> Affiliated Companies

Name of Company	Activities	Country	Activities site	Yamama %
Cement products Industry Co. ( Jeddah)	Paper Sacks	KSA	Riyadh	Yamama owns 33.33% of the paid up capital

## 8<sup>th</sup> Regular Payment to Government Departments

#### (in Thousands SR)

Payment	2011	2010
Custom fees	4,439	4,932
Zakat	21,114	21,542
Social Insurance (GOSI) Subscriptions	9,623	10,130
Visas fees	2,093	1,886
Quarries Exploitation Fees	37,608	36,032
Railway Rents	2,318	2,503
Total	77,195	77,025

### 9<sup>th</sup> Social Responsibility and Community Service

#### a. Donations & Social Contributions

Due to its conviction of importance of contribution in social and charity activities, YSCC provided monetary and non-monetary donations to a number of known charity organizations and non-profit national organizations such as:

- Health Week to fight diabetes.
- Golden patronage of the 1st assembly of the Saudi chemical engineers.
- Silver patronage of the Annual profession day for Engineering and Architecture in King Saud University.
- Participating in the awareness campaign of maternal and child health which is organized by the health affairs in Riyadh.
- Participating in the permanent committee for protection of chemical pollution by organizing the 1st international symposium.
- Donating to Institute of Public Administration Graduation day.
- Donating to Commercial and Industrial Chamber in Ha'il city.
- Donating to Saudi organization for Certified Accountants for 2011.
- Supporting Riyadh Municipality to celebrate Eid Alfitr Festivals for the year 1432H.
- Supporting the Technical & Vocational Training Corporation to hold the summer program for the year 1432H.
- Supporting the Chemical Engineering Club to hold the students graduation ceremony.
- Donating to the charity society for Koran Memorization in Riyadh.
- The National Saudi Campaign for the Relief of Somali people.
- Supporting the Charity Foundation for Orphans Care (Insan).
- Patronizing the 2nd assembly of addiction recovered patients.
- Summer training in English Language and Computer Institutes for 127 male and 126 female students.

#### b. Safety, Health & Environment

With regard to the efforts exerted for Environment Preservation, YSCC is committed to implement all Saudi and International standards to safeguard environment safety under

supervision and follow-up of the General Presidency of Meteorology & Environment Protection in the Kingdom.

YSCC observes all requirements included in the main principles adopted in its operation policies. It confirms the regularity, safety functioning and efficiency of filters in all facilities of the factory in such fashion that greatly exceeds the requirements determined by the General Presidency of Meteorology & Environment Protection in the Kingdom .

YSCC obtained the following certificates from the Swiss International Inspection CO. (SGS):-

- Certificate of Conformity of Environmental Management System ISO 14001 (The Company is one of the first companies that obtained this certificate in the Kingdom).
- Management Certificate of Occupational Health and Safety OHSAS 18001 (The Company is the first Saudi company that obtained this certificate in the cement sector).

YSCC has participated and patronized the safety exhibition at Prince Sultan Air base during the period from 25 to 28/09/2011.

#### 10<sup>th</sup> Human Resources

The YSCC pays special attention to its Human Resources. Thus, it encourage employees to positively participate in company development and it establish a suitable work environment that enables them to work as a single team and continue to support their skills and qualifications for improving the level of their performance.

The Saudization ratio in 31/12/2011 reached about (56%) of the total company manpower. This is the highest ratio in Cement Sector in the Kingdom.

#### 11th Risks

The company pays much concern on potential risks that may arise from the expected local competition as a result of emergence of new companies in the central region and the expansion of production capacities of other companies. Such trend will result in surplus of the local stock, particularly after banning of exportation of cement. These risks are periodically being reviewed and the appropriate actions are taken to control them.

#### 12<sup>th</sup> Corporate Governance

#### A. The Current Status of the Corporate Governance

The company accomplished its internal regulation of corporate governance, which was previously approved by the Board of Directors. The company governance regulations are in line with all articles of Governance Regulation issued by Capital Market Authority and a copy has been sent to CMA on 13/12/2011.

#### **B.** The Board of Directors Committees

#### i. Internal Audit Committee (IAC)

The Internal Audit Committee supervises risks management and internal control over all company activities. Its responsibilities include reviewing and discussing the annual and quarter financial reports of the company.

The IAC also submits its recommendation to the Board with respect to assignment of the external auditor of the Company.

The IAC consists of the following four members of the BOD:

His Excellency, Mr. Rashid Al Mubarak Al Muraishid

His Excellency, Mr. Jamal Ben Ahmed Al Ajaji

His Excellency, Mr. Mubark Ben Jaber Al Mehaimeed

His Excellency, Mr. Saud Ben Mohammed Al Dablan

Member

The IAC held (4) meetings during 2011.

#### ii. Benefits and Nominations Committee (BNC)

The Benefits and Nominations Committee reviews the structure of the Board of Directors, effectiveness and performance of its members, submits recommendations regarding the changes that may be carried out, determines strengths and weaknesses, ensures independency and non-conflict of interests of any board member, recommends the nomination of the board members according to the required needs, reviews the benefits of the Board Committees and the managing Director as well as the salaries of the executives and Saudization rates.

The BNC consists of the following members:

His Highness, Prince Sultan Ben Mohammed Ben Saud

Chairman

His Excellency, Dr. Khalid Ben Sulaiman Al Rajihi

Member

His Excellency, Mr. Fahd Ben Thunyian Al Thunyian Member
His Excellency, Mr. Jehad Ben Abdulaziz Al Rasheed (GM)
The BNC held (2) meetings during 2011.

#### **C.** The Board of Directors (BOD)

YSCC is managed by eleven-member Board of Directors. (5) meetings were held by the BOD during 2011.

The suggested annual remuneration for the BOD is as follows:

Name	Classification	Meetings attended	Annual Benefit	Attendance allowance*	Salaries Compensa- tions Allowances
HH/ Prince Turki Ben Mohammed Ben Abdulaziz Ben Turki – Chairman	Independent	5	400	15	
HH/ Prince Sultan Ben Mohammed Ben Saud Al-Kabeer - Vice Chairman and Managing Director	Executive	4	200	12	600
HH/ Prince Khalid Ben Mohammed Ben Abdulaziz Ben Turki	Executive	4	200	12	460
Mr. /Rashid Mubarak Al- Muraishid	Independent	5	200	15	
Dr / Khalid Ben Sulaiman Al-Rajihi	Independent	/5/	200	15	
Mr./ Saud Ben Mohammed Al-Dablan	Non -Executive	4	200	12	
Mr./ Fahd Ben Thinyan Al-Thinyan	Independent	5	200	15	
Mr. / Truki Ben Nasir Al-Mutawa	Non -Executive	5	200	15	
ENG. / Ibrahim Ben Abdul-Aziz Al- Muhanna	Indépendent	5	200	15	
Mr. Jamal Ben Ahmed Al-Ajaji (GOSI Representative)	Non -Executive	5	200	15	
Mr. Mubark Ben Jaber Al-Mehimeed (Public Pension Agency Representative)	Non -Executive	5	200	15	
Total			2,400	156	1,060

<sup>\*3</sup> thousand Riyals are paid for attending each meeting.

# D. Meetings attended by the BOD members during 2011, and their membership at other shareholding Companies

Name	BOD Meetings					Membership at Other Shareholding Companies
	1	2	3	4	5	
HH/ Prince Turki Ben Mohammed Ben Abdu- laziz Ben Turki – Chairman	✓	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>	
HH/ Prince Sultan Ben Mohammed Ben Saud Al-Kabeer - Vice Chairman and Managing Director	<b>√</b>	<b>√</b>	<b>√</b>	×	<b>√</b>	Al-Maraie Diary Co. Arabian Shield Cooperative Insurance Co.
HH/ Prince Khalid Ben Mohammed Ben Abdulaziz Ben Turki	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>	×	
Mr. /Rashid Mubarak Al- Muraishid	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>	
Dr / Khalid Ben Sulaiman Al-Rajihi	<b>V</b>	<b>✓</b>	<b>✓</b>	<b>√</b>	<b>√</b>	
Mr./ Saud Ben Mohammed Al-Dablan	~	×	<b>√</b>	<b>√</b>	<b>√</b>	Member of BOD in Hayel Cement Co, representative of YSCC
Mr./ Fahd Ben Thinyan Al-Thinyan	Y	×	<b>√</b>	<b>√</b>	<b>√</b>	National Gypsum Co. National Agricultural Development Co. ( NADIC)
Mr. / Truki Ben Nasir Al-Mutawa	V	X	Y	×	<b>√</b>	His father Mr. Nasser Almutawa is a member of BOD in Arabian Shield which Yamama has shares in it.
ENG. / Ibrahim Ben Abdul-Aziz Al-Muhanna	1	X	X	X	X	
Mr. Jamal Ben Ahmed Al-Ajajy (GOSI Representative)	Y	X	Y	X	X	
Mr. Mubark Ben Jaber Al-Mehimeed (Public Pension Agency Representative)	<b>√</b>	<b>√</b>	<b>√</b>	<b>1</b>	<b>✓</b>	

E. Stakeholdings & Equities of BOD Members, Executives Management, Their wives & minors in the YSCC shares or debts tools or any affiliated companies.

			\ \			
Name	Shares at the beginning of year		Shares a	t end of year	Change during the year	
	NO. of Shares	% age	NO. of Shares	% age	NO. of Shares	% age
Prince / Turki Ben Mohammed Ben Abdulaziz Ben Turki	23,000	0,017%	23,000	0,017%	-	-
Prince / Sultan Ben Mohammed Ben Saud Al-Kabeer	14,201,055	10,519%	14,201,055	10,519%	-	-
Prince / Khalid Ben Mohammed Ben Abdulaziz Ben Turki	1,000	0,0007%	1,000	0,0007%	/ /	/
Mr. /Rashid Mubark Al-Miraishid	147,000	0.109%	147,000	0.109%	- /	- /
Dr / Khalid Ben Sulaiman Al-Rajihi	6,000	0,0044%	6,000	0,0044%	/ -/	/ -/
Mr./ Saud Ben Mohammed Al-Dablan	50,655	0.038%	68,505	%0,051	17,850	%35,24
Mr./ Fahd Ben Thinyan Al-Thinyan	1,000	0,0007%	1,000	0,0007%	/-/	/- /
Mr./ Truki Ben Nasir Al-Mutawa	2,000	0,0015%	2,000	0,0015%	/-/	<u>/</u> /
ENG. / Ibrahim Ben Abdul-Aziz Al-Muhanna	1,000	0,0007%	4,497	0,0033%	3,497	349,7%
(GOSI) represented by: Mr. Jamal Ben Ahmed Al- Ajajy <sup>1</sup>	9,653,427	7,151%	10,560,445	7,8226%	907,018	9,396%
(PPA) represented by: Mr. Mubarak Ben Jaber Al Mohammed <sup>2</sup>	6,759,696	5%	7,274,404	5,388%	514,708	7,614%
Mr. Jehad Ben Abdalaziz Al Rasheed (GM)	5,000	0,004%	6,700	0,00496%	1,700	34%
Mr. Mohammed Ahmed Alamoudi ( General Manager of Finance & IT)	-	-	100	0,00007%	100	100%

<sup>1.</sup> These shares are owned by GOSI. Mr. Jamal Al-Ajajy does not own any of the company shares.

<sup>2.</sup> These shares are owned by Public Pension Agency. Mr. Mubarak Al-Mehaimeed does not own any of the company shares.

#### F. Benefits and Compensations of Senior Executives

The benefits and compensations for the six Senior Executives (General Manager, GM of Finance & IT, GM of Commercial Affairs, Human Resources Manager, Factory Manager, Internal audit Manager) are as below:

	Salaries	Allowances	Benefits
Total	4,210,800	1,128,450	1,592,000

### 13<sup>th</sup> Company Attestations

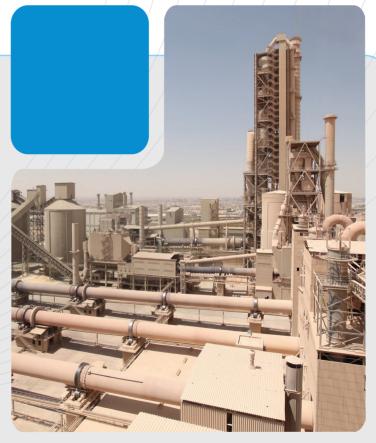
#### The company management attests that:

- 1. The accounts records for the year 2011 have been correctly prepared in accordance with accounting standards and auditing issued by Saudi Organization for Certified Accountants.
- 2. The Internal Control System has been setup on a sound basis and is being annually reviewed to ensure its efficiency.
- 3. There is no doubt in its ability to keep on its activities in all aspect.
- 4. There is no contract of substantial interest to any one of the BOD members or executives management.
- 5. No investments or reserves are created in favor of Yamama staff, e.g. (savings, loans, shares.....etc).
- 6. No punishments or penalties are imposed on the company in near or far future.

# 14<sup>th</sup> Results of the annual audit for the activities and procedures of the internal control system

The Internal Audit Dept. submits periodical reports to the Audit Committee about the operational, administrative and financial audits undertaken on continuous basis in order to verify the effectiveness of the internal audit system regarding the Company assets protection, evaluation of business risks, and measurement of performance effectiveness and efficiency. These audit processes have not shown substantial weakness in the internal control of the Company. The external auditor most remarks are mainly in the fields of performance improvement, activation of the operational units, raising its efficiency, coordination of integrated relations among these units, completion of its procedures documentation so as to add more strength to the Company Internal Control System, and the best utilization of the available resources. Also, the external auditor evaluates this system as a part of his auditing task for the final financial statements of the Company. The external auditor was allowed to review all the minutes of the meeting of the audit committee, and reports of the internal audit on the financial period under auditing.





### 15<sup>th</sup> Financial Results

Below is summary of financial statements for the periods from 2007 to 2011

#### 1-Balance Sheet

(in Thousands SR)

Statement	2011	2010	2009	2008	2007
Current assets	1,322,338	1,126,808	1,077,312	891,835	712,328
Non-current assets	2,499,212	2,526,580	2,616,933	2,697,290	2,876,697
Total assets	3,821,550	3,653,388	3,694,245	3,589,125	3,589,025
Current liabilities	333,776	245,763	317,692	275,074	323,021
Long term loans	48,135	189,892	267,271	421,819	462,247
Non-current Liabilities	64,219	59,040	54,119	50,838	46,274
Total Liabilities	446,130	494,695	639,082	747,731	831,542
Shareholders Equities					
Paid-up Capital	1,350,000	1,350,000	1,350,000	1,350,000	1,350,000
Reserves	1,316,215	1,208,457	1,102,283	841,194	518,051
Unrealized Gains from Investment	70,119	49,831	60,832	1,409	120,984
Retained Earnings	639,086	550,405	542,049	648,791	768,448
Total Shareholders Equities	3,375,420	3,158,693	3,055,164	2,841,394	2,757,483
Shareholders Equities & Liabilities	3,821,550	3,653,388	3,694,245	3,589,125	3,589,025

The following diagram shows the Progress of Assets and Share Holders Equity during the last five years (2007 – 2011):

### Assests and shareholders Equity from 2007 to 2011 (SR Million)



### 2-Income Statement

### (in Thousands SR)

Statement	2011	2010	2009	2008	2007
Net Sales Cost of Sales	1,442,218 (632,954)	1,271,929 (560,055)	1,163,006 (546,957)	1,122,933 (478,196)	1,185,501 (416,720)
Gross Profit	809,265	711,874	616,049	644,737	768,781
Total Admin., Marketing & General Expenses	(63,662)	(51,606)	(55,311)	(57,982)	(40,009)
Other Income	18,158	21,662	19,009	38,130	22,658
Zakat	(24,000)	(25,000)	(18,000)	(14,000)	(20,000)
Net Income	739,761	656,930	561,747	610,885	731,430
(Earnings Per Share ( EPS)	5,48	4,87	4,16	4,53	5,42

The following diagram shows the progress of Net Sales and Net Profit during the last five years (2007 – 2011):

#### Net Sales and Net Profits from 2007 to 2011 (SR Million)



#### 16<sup>th</sup> Company's Profit Appropriation Policy

Company Policy of Appropriation of its net annual profit, relies on regulations stated in the company's articles of association, cash availability necessary for payment of investments and company strategic projects. Profits are appropriated as follows:

- 1. 10% of the net profit shall be set aside to establish Statutory Reserve (to be suspended when the reserve amounts to half of the paid-up capital).
- 2. 5% of the paid-up capital shall be distributed to shareholders as first payment.
- 3. Benefits of the Board's members shall be deducted from the balance as per regulations and instructions set up for this purpose.
- 4. Additional dividend from the balance may be distributed to shareholders upon BOD recommendation.
- 5. Based on recommendation of the BOD, the General Assembly may establish additional reserve or other reserves in appropriate amount that preserve the strength of the company financial position and grantee appropriate and steady distribution of profit.

#### Suggested Profit Appropriation for the year 2011

(in Riyals)

Net profit after deducting Provision of Zakat 73	39,761,010
Less: 10% of net profit as Legal Reserve (7	73,976,101)
Balance 66	65,784,909
Less: First dividend to shareholders at 5% of the paid-up capital (6	7,500,000)
Balance 59	98,284,909
Less: Board of Directors remuneration (	2,400,000)
Balance 59	95,884,909
Plus: Profit carried forward from previous year after appropriation	70,246,760
Total 70	66,131,669
Less: additional Dividend to shareholders at 35% of paid-up capital	72,500,000
Balance 29	93,631,669
Less: The sum carried forward to the additional reserve	0
Balance: to be carried forward to the next year	93,631,669

The Board of Directors of YSCC has decided in its session held on 04/12/2011 to submit an application to the concerned official government department to approve the increase of the company capital which is SR 1,350 million "135 million shares" by SR 675 million that are equivalent to 50% of the capital so that the capital after the increment shall be SR 2,025 million "202,5 million shares. The increment shall be through capitalization of a part of the additional company reserve by offering the shareholders one (1) bonus share for every two (2) owned shares in order to meet the expected capital expansion in future. Capital Market Authority has approved the increment by its decision No (2-2-2012) dated 14/02/1433H corresponding to 08/01/2012G. Based on this approval, the BOD will request an extra ordinary meeting of the General Assembly that shall be announced in due time to confirm this increment. The date of claim will be at the closing of trading on the day when the extraordinary general assembly approves the increase of YSCC capital.

#### 17th Board of Directors Recommendation to 46th General Assembly

- 1. To approve the Board of Directors report.
- 2. To approve the Financial Statements as on 31/12/2011, and the report of the external auditor.
- 3. To free the members of the board from any consequences of their activities during the year 2011, and until the date of the General Assembly Meeting.
- 4. To approve the Board of Directors' proposal regarding the appropriation of the profits for the year 2011 by SR (4) per share. It should be mentioned that (2) riyals were distributed to shareholders for the 1st half of the year 2011. Share holders who are registered in "Tadawul" records at the ending day of the General Assembly meeting will deserve profits of the second half of 2011 at rate of (2) riyals per share.
- To approve renewal of the assignment of the certified accountant nominated by the Audit Committee to audit the company accounts for the fiscal year 2012 as well as the quarterly financial statements, and determine his fees or assign another auditor.
- 6. Election of members of the BOD for the new session that starts on 06/05/1433H corresponding to 29/03/2012
- 7. Approving transactions with the related parties for next year among which is Yemeni Saudi Cement Co. where YSCC invested 20% of the paid up capital of Yemeni Saudi Cement Co.
- 8. Approving the company 'governance regulations' (The governance regulations can be obtained from the Company web site).

# 18<sup>th</sup> Board of Directors Recommendation to 14<sup>th</sup> Extra-ordinary General Assembly

- 1. Approving the increase of the company capital from SR 1,350M to SR 2,025M by issuance of 67,5M shares with a value of SR675M and through offering one bonus share for every (2) existing shares owned by the shareholders who are registered in the shareholders registry at the closing of trading on the day of EGA meeting. Such increase which is SR 675M will be paid from the additional reserve item as of 30/9/2011 by offering the correct number of shares to every beneficiary, summing up the fractions of the shares in one portfolio for all the shareholders, selling them at the market price then its value is distributed to the shareholders on the due date of payment of profits as per the shares of each shareholder based on the average price of sale of each share and amendment of the clause No. (6) of the articles of association of the company.
- 2. Amendment of the clause N0(2) of the Company articles of association by changing the name of the company to Yamama Cement Co. instead of Yamama Saudi Cement Co. Limited.
- 3. Amendment of the clause No.(26) of the articles of association by changing the number of Board of Directors sessions from (6) sessions to (4) sessions during the fiscal year of the company.

The Board of Directors would like to extend its thanks for your valuable attendance to this meeting, and your precious confidence entrusted to the Board of Directors. We also pray to Allah Almighty to guard the Custodian of the Two Holy Mosques, King Abdullah Ben Abdulaziz, H.R.H Crown Prince Naif Ben Abdulaziz, Vice Prime Minister & Minster of Interior and guide them and their wise government to achieve the welfare for this country and the citizens, Also we pray to Allah Almighty to protect the Kingdom from all evils, and safeguard it with security and peace.

The BOD would also like to extend its appreciations to all employees of the YSCC for their serious and sincere efforts that aim at maintaining the continuation, progress, and prosperity of the Company.

**Board of Directors** 

YAMAMA SAUDI CEMENT COMPANY
SAUDI JOINT STOCK COMPANY
FINANCIAL STATEMENTS AS AT DECEMBER 31, 2011

Tel.: (966-1) 4784009 Fax.: (966-1) 4774924

### AL-Kharashi Certified Accountant's Auditors



07 January 2012

#### Auditor's Report

To the **Shareholders** Yamama Saudi Cement Company

We have audited, the accompanying Balance Sheet of Yamama Saudi Cement Company - Saudi Joint Stock Company - as at December 31, 2011, Statements of Income, Cash Flows and Changes in Shareholders' Equity for the year ended, together with the Notes from No. (1) to No. (31) which form an integral part of these financial statements. These statements prepared by the company in accordance with article 123 of the Saudi Regulations for Companies and have been submitted to us together with all requested information and data. We conducted our audit in accordance with Generally Accepted Auditing Standards, including audit of the accounting records and other procedures, which we deem as necessary to form a reasonable degree of conviction enabling us to express our opinion on the financial statements.

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

- 1. Present fairly the financial position of Yamama Saudi Cement Company Saudi Joint Stock Company as at December 31, 2011 and the results of its operations & Cash Flows for the year ended in accordance with the presentation and disclosure of information maintained in the financial statements and with the Accepted Accounting Standards appropriate to the circumstances of the Company.
- 2. The preparation and presentation of the financial statements are consistent with the requirements of the Saudi Regulations for Companies, as well as with the Company's Bylaw.

The automated accounting records maintained by the Company, comply with its financial statements.

Suliman A. Al-Kharash C.A. License No. 91



Member of



#### Yamama Saudi Cement Company Saudi Joint Stock Company Balance Sheet

		As of December 31		
		2011	2010	
	Note	SR	SR	
Assets				
Current Assets:				
Cash in hand and in banks	3	65,813,720	28,160,802	
Investments in Islamic Funds	4	832,155,307	671,523,903	
Accounts Receivable	5	300,565,442	245,371,48	
Due from Related Parties	6	23,950,382	25,641,04	
Inventories	7	136,660,647	132,266,76	
Other accounts receivable	8	21,297,218	23,844,11	
Total Current Assets		1,380,442,716	1,126,808,11	
Non-Current Assets				
Fixed Assets, Net	9	1,958,906,060	2,106,095,649	
Capital Works in Progress	10	40,454,070	7,442,910	
Long Term Investments	11	419,194,839	394,106,07	
Deferred Expenses		22,552,733	18,935,75	
Total Non-Current Assets		2,441,107,702	2,526,580,39	
Total Assets		3,821,550,418	3,653,388,51	
LIABILITIES & SHAREHOLDERS' EQUITY				
Liabilities:				
Current Liabilities				
Accounts Payable	12	103,086,939	87,305,470	
Due to Related Parties	6	3,070,551	6,452,76	
Long Term Loans – short portion	13	141,775,000	77,379,00	
Dividend Shares Payable & Other Due to share holders		39,107,131	41,239,88	
Accrued expenses and other current liabilities	14	18,056,442	7,574,45	
Provision for Zakat	15	28,697,850	25,812,14	
Total Current Liabilities		333,793,913	245,763,72	
Non-Current Liabilities:				
Long Term Loans	13	48,117,000	189,892,00	
Provision for End of Service Indemnity	2	64,219,440	59,039,77	
Total Non-Current Liabilities		112,336,440	248,931,77	
Total Liabilities		446,130,353	494,695,50	
SHAREHOLDER'S EQUITY:				
Capital Paid	16	1,350,000,000	1,350,000,00	
Statutory Reserve	17	390,191,303	250,522,19	
	10	1,000,000,000	957,935,13	
Additional Reserve	18			
Additional Reserve Retained Earnings	18	565,110,249	550,404,63	
	18	565,110,249 70,118,513		
Retained Earnings	18		550,404,63 49,831,04 3,158,693,00	

#### Yamama Saudi Cement Company Saudi Joint Stock Company Statement Of Income

		For The Year Ended December 31,		
		2011	2010	
	Notes	SR	SR	
Sales, Net		1,442,218,370	1,271,928,692	
Cost of Sales		(632,953,609)	(560,054,994)	
Gross Profit		809,264,761	711,873,698	
Expenses:				
Selling &Distribution Expenses	19	15,698,769	7,748,963	
General & Administrative Expenses	20	38,330,271	33,541,676	
Depreciation of Fixed Assets	21	2,366,702	2,245,608	
Provision for End of Service Indemnity		2,232,632	2,101,429	
Total Expenses		58,628,374	45,637,676	
Income From Main Activities		750,636,387	666,236,022	
Financing Expenses		(5,033,517)	(5,968,138)	
Other Income	22	18,158,140	21,662,238	
Income For The Year Before Zakat		763,761,010	681,930,122	
Provision for Zakat		(24,000,000)	(25,000,000)	
Net Income For The Year		739,761, 010	656,930,122	
Earnings per share from main activities		5,56	4,94	
Earnings per share from other activities		0,097	0,116	
Earnings per share		5,48	4,87	

The accompanying notes are an integral part of these financial statements

### Yamama Saudi Cement Company Saudi Joint Stock Company Statement Of Cash Flows

	For The Year Ende	ed December 31,
	2011	2010
	SR	SR
Cash Flows From Operating Activities		
Net Income for the Year	739,761,010	656,930,122
Adjustments to reconcile net income to net cash provided (used)	by operating activity	ties:
Depreciation of Fixed Assets	188,253,810	182,677,713
Amortization of Deferred Expenses	7,401,444	8,498,103
Provision for Zakat	24,000,000	25,000,000
Provision for Spare Parts Obsolescence	5,000,000	5,000,000
Provision for End of Service Indemnity	8,151,634	7,897,579
(Gain) from Sale of Fixed Assets	(18,000)	(329,003)
(Gain) from Investment in portfolio	(104,254)	-
(Gain) from Investment in Affiliated Companies and free shares	(2,872,247)	(1,913,881)
(Increase in) Accounts Receivable	(55,193,958)	(9,188,706)
(Increase in) Inventories	(4,393,880)	(35,085,221)
Decrease in Other accounts receivable	2,546,901	7,600,381
Changes in Related Parties	(1,691,558)	(20,350,880)
Increase in Accounts Payable	15,781,465	28,032,601
Increase (Decrease) in Accrued expenses and other current liabilities	10,481,988	(32,390,638)
Provision for Spare Parts Obsolescence (used)	-	(868,000)
Zakat Paid	(21,114,296)	(21,542,181)
End of Service Indemnity Paid	(2,971,970)	(2,976,921)
Net Cash Flows From Operating Activities	913,018,089	796,991,069
Cash Flows From Investing Activities		
(Increase) in Islamic funds' Investments	(160,527,150)	(5,583,683)
(Increase) long term Investments	(1,929,048)	(24,294,629)
(Addition) on property and equipment	(30,779,453)	(60,989,354)
(Increase) in Deferred Expenses	(11,018,423)	-
Changes in Spare Parts Stock	(15,284,771)	(25,750,140)
(Increase) in Capital Work in Progress	(33,011,154)	(6.957.916)
Disposal of fixed assets	-	(10.232.000)
Proceeds from Sale of Fixed Assets	18,000	10,561,004
Net Cash Flows (Used in) Investing Activities	(252,532,000)	(123,246,718)
Cash Flows From Financing Activities		
Installments Paid for Loans	(77,379,000)	(154,548,000)
Dividends & Other due paid to Shareholders	(544,532,751)	(537,302,086)
Previous Year Adjustments	(921,420)	-
Net Cash Flows (Used in) Financing Activities	(622,833,171)	(691,850,086)
Net /(Decrease) in Cash	37,652,918	(18,105,735)
Cash At Beginning Of The Year	28,160,802	46,266,53 <sup>v</sup>
Cash at End Of The Year	65,813,720	28,160,802
Non-Cash Investing Activities		
Additions of Fixed Assets against Payments charged to Capital Work in Progress	1,871,000	485,000

The accompanying notes are an integral part of these financial statements

# Yamama Saudi Cement Company Saudi Joint Stock Company Statement Of Changes In Shareholder's Equity

- (11,000,733) 49,831,045 3 				
- (11,000,733) <b>49,831,045 3</b> 	1,000,000,000 565	390,191,303	1,350,000,000	Balance as at December 31, 2011
(11,000,733) 49,831,045 3		ı	1	Unrealizable Profit from Investments
(11,000,733) 49,831,045 3	- (2	1	-	Directors' Remuneration
(11,000,733) 49,831,045 3	- (540	1	ı	Dividend to Shareholders
- - - - (11,000,733) <b>49,831,045</b> 3	42,064,864 (42	1	1	Transferred to Additional Reserve
- - - - (11,000,733) <b>49,831,045</b> 3	- (73	73,976,101	1	Transferred to Statutory Reserve for 2011
- - - - (11,000,733) <b>49,831,045</b>	- (65	65,693,012	1	Transferred to Statutory Reserve for 2010
- - - - (11,000,733) <b>49,831,045</b>	- 739	1	ı	Net Income for the Year
- - - - - (11,000,733) <b>49,831,045</b> 3	1	1	ı	Adjustment for previous Year
- (11,000,733)	957,935,136 550	250,522,190	1,350,000,000	Balance as at December 31, 2010
	000		1	Unrealizable Profit from Investments
	000 (2	1	1	Directors' Remuneration
	000 (540	1	1	Dividend to Shareholders
	50,000,000 (50	1	1	Transferred to Additional Reserve
	000 (56	56,174,723	-	Transferred to Statutory Reserve
00,001,770	000 656	1	1	Net Income for the Year
5/12 0/10 237 60 831 778 3 055 163 618	907,935,136 542	194.347.467	1,350,000,000	Balance at 1/1/2010
SR SR SR	SR SF	SR	SR	
Retained Profit from Total Earnings Investments	Additional Ret Reserve Ear	Statutory Reserve	Paid Capital	Description

The accompanying notes are an integral part of these financial statements

## YAMAMA SAUDI CEMENT COMPANY SAUDI JOINT STOCK COMPANY NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2011

### NOTE 1 - THE COMPANY AND NATURE OF ITS BUSINESS

### A.The Establishment of The Company:

**Yamama Saudi Cement Company** is a Saudi Joint Stock Company - formed by Royal Decree No. 15 dated 13/3/1381H – under Commercial Registration No. 1010001578 dated 18-4-1379H.

### **B.Capital:**

Authorized and paid Capital is S.R **1,350,000,000** divided into **135,000,000** share for S.R 10 per each nominal share, which are fully owned by individuals, Companies and Public Institutions.

### **C.The Nature of the Company's Activity:**

The Company's activities are the production and manufacturing cement as well as substances & derivatives in privilege zone in addition to the trading.

The annual production capacity of the factories is 6,000,000 tons clinker per year, which is approximately equal to 6,300,000 tons of cement.

### **D.Fiscal Year**

The fiscal year of the company starts from first January to end of December every year.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Accounting Convention:**

The financial statements are prepared under historical cost convention (except for investments in securities available for sale which are recorded on fair value basis) the Company uses accrual basis for recording its Income & Expenses.

### **Inventory:**

- •Stock of raw material, packing utilities etc. and products in process are valued at cost on moving weighted average method.
- •Finished products stock is valued at cost or market price whichever is less.

### **Fixed Assets:**

Fixed assets are recorded based on cost, which includes additions and improvements enhancing those asset's productivity and useful life. Depreciation is computed using the straight-line method over the estimated lifetime of the fixed assets based on the following:

Buildings, Constructions, Roads and Facilities	3% - 10%
Plants & Machineries	7% - 15%
Vehicles & Transportation Vessels	25%
Tools	10%
Furniture & Office Equipment	20%

Spare-parts of Plants & Machineries are valued at cost and on moving weighted average method.

### **Deferred Revenue Expenses:**

It represents the expenses of overhaul of kilns & mills. It is amortized at 20% & 50% on straight line method.

### Investments:

Investments by the Company in other Companies and it's investments in financial securities and its revenues are recorded according to the generally accepted accounting standards as follows:

- a. Investments in affiliated companies, which the parent holds less than 50% and more than 20% are recorded according to equity method.
- b. The Companies' investment in long term available for sale financial securities are evaluated and recorded at fair value at the end of the financial year, the difference is recorded as unrealized gains or losses in the stockholders equity's section.

### **Related Parties:**

The related parties are being treated within the normal operations of the Company by the fair value of those transactions.

### **Provision for termination pay:**

Provision has been made for end of service benefits payable to employees accumulated from beginning of services till the date of these financial statements as per Saudi Labour Law.

### **Revenue Recognition**

- Revenue is recognized upon issuance of sales orders and deliver the goods to clients.
- Revenue from investments in affiliated Companies which the Company owns more than % of capital according to financial statements issued or these Companies are calculated and recorded as per equity method.
- Revenue from investments in affiliated Companies which the Company owns less than 20% and less than 50% of capital is calculated and recorded when dividends are declared.
- Revenue from the lease of the Company's Building is recognized on maturity date and on pro-rata lease for the Year.
- The Revenue from short term investments bonds at banks is recorded on maturity date.

### **Sales and Marketing Expenses:**

All manpower costs belong to sales and marketing department, advertising costs and sales and marketing of company's productions are recorded as sales and marketing expenses.

Advertising cost can be capitalized as deferred expenses in conditions sharing to have future benefits and not to spend it periodically during coming years and amortized on straight-line bases over their useful life or 5 years which is less.

### **Financial Charges:**

Financial charges belong to the loans used in the current activities are recorded as expenses in the income statement of the year.

### **Administrative and General Expenses:**

All expenses belong to the head office are recorded as administrative and general expenses, as well as the current expenses which was not included in cost of production or sales and marketing expenses.

### Foreign Currencies:

Transactions in foreign currencies are recorded at exchange rates prevailing at the date of such transactions. At the balance sheet date, balances of monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyals at the prevailing exchange rates on that date. Gains and losses resulting from changes in the exchange rates are recognized in the statement of income.

### Zakat:

In accordance with regulations of the department of Zakat and Income Tax in the Kingdom of Saudi Arabia the Company is subject to Zakat. A provision is calculated for the estimated Zakat payable.

The Company submitted its Zakat Declaration for the previous years till the year 2010 and Zakat accruals have been paid according to this.

The Company got the Zakat certificate for the financial year 2010.

### NOTE 3 - CASH IN HAND AND IN BANKS:

	As of Dec	ember 31,
	2011	2010
	SR	SR
Cash in Hand	42,590	40,348
Banks – Current Accounts	65,771,130	28,120,454
Total	65,813,720	28,160,802

### **NOTE 4 - INVESTMENTS IN ISLAMIC FUNDS:**

Investments in Islamic fund represents the Company's investments in local banks which equals SR **832,155,307** on 31 December 2011(**SR 671,523,903** in 31 December 2010).

### **NOTE 5 - ACCOUNTS RECEIVABLE:**

	As of Dec	ember 31,
	2011	2010
	SR	SR
Clients- Trade	296,963,437	242,000,820
Advance to suppliers	3,602,005	3,370,664
Total	300,565,442	245,371,484

# NOTE 6 - RELATED PARTIES:

Dealing with related parties are in ordinary scope of work for the Company. Determining the value of those transactions by fair value.

Related Parties	Nature of Relation	Type of Transactions	Opening Balance	Total Debit Movement	Total Credit Movement	Closing Balance
DUE FROM RELATED PARTIES:						
Arabian Shield Co-operative Insurance Co. Saudi Joint Stock Co.	The Company Owns 5% of its Capital	Insurance	426,042	9,897,429	9,838,234	485,237
Cement CoYamani Joint Stock Co Private	The Company Owns 20% of its Capital	Cash transfer	18,765,000	750,145	1	19,515,145
Cement Product Industry Co. Ltd.	The Company owns 33.33% of its Capital	Cash transfer	3,950,000	ı	ı	3,950,000
Total			23,141,042	10,647,574	9,838,234	23,950,382
DUE TO RELATED PARTIES:						
Cement Product Industry Co. Ltd.	The Company owns 33.33% of its Capital	Purchasing Pack- ing Paper Bags	3,952,787	39,705,951	38,823,715	3,070,551
	/					

## NOTE 7 - INVENTORY:

	As of Dec	ember 31
	2011	2010
	SR	SR
Products in Process	118,694,260	115,945,425
Fuel & oil	7,181,679	3,312,239
Finished Products	6,600,986	9,619,835
Raw materials	3,796,057	3,103,920
Packing bags	377,071	247,607
Others	10,594	37,742
Total	136,660,647	132,266,768

### NOTE 8 - OTHER ACCOUNTS RECEIVABLE:

	As of Dec	ember 31
	2011	2010
	SR	SR
Sundries Receivables	4,543,023	1,581,842
Pre-paid expenses	3,738,233	6,054,092
Advances to Staff	315,159	614,872
L/C	12,623,006	15,531,696
Others	77,797	61,617
Total	21,297,218	23,844,119

### **NOTE 9 - FIXED ASSETS:**

	As of Dec	ember 31
	2011	2010
	SR	SR
Property, plant and equipment, net _ Note 9/1	1,708,603,580	1,866,077,940
ADD:		
Spare Parts Kilns and Machineries	285,696,145	270,411,374
Prov. for Spare Parts Mach.& Kilns	(35,393,665)	(30,393,665)
Spare Parts Kilns and Mach. Net	250,302,480	240,017,709
Total	1,958,906,060	2,106,095,649

## NOTE 9/1 - FIXED ASSETS:

	Land	Building, Construction Facilities & Roads	Plants & Machinery of the Factory	Vehicles and Transportation Vessels	Tools	Furniture & Office Equipment	Total
	SR	SR	SR	SR	SR	SR	SR
Cost							
As at 01-01-2011	12,234,510	1,166,711,058	2,908,780,256	19,139,151	7,315,370	9,461,037	4,123,641,382
Additions during the Year	ı	2,000,000	26,028,725	753,900	ı	1,996,828	30,779,453
Disposal during the Year	ı	114	129,118	107,500	ľ	492,617	729,349
As at December 31, 2011	12,234,510	1,168,710,944	2,934,679,863	19,785,551	7,315,370	10,965,248	4,153,691,486
Depreciation							
As at 01-01-2011	ı	710,132,158	1,516,006,291	16,912,944	7,315,364	7,196,685	2,257,563,442
Depreciation for the year	ı	41.063.638	145,042,966	1,030,018	ı	1,117,188	188,253,810
Disposal & Settlements	ı	114	129,116	107,500	ı	492,616	729,346
As at December 31, 2011	ı	751,195,682	1,660,920,141	17,835,462	7,315,364	7,821,257	2,445,087,906
Net Book Value:							
As at December 31, <b>2011</b>	12,234,510	417,515,262	1,273,759,722	1,950,089	9	3,143,992	1,708,603,580
As at December 31, <b>2010</b>	12,234,510	456,578,900	1,392,773,965	2,226,207	9	2,264,353	1,866,077,940

<sup>•</sup>The Company's factory along with its building and related facilities are erected on land owned by the Company from Riyadh Municipality according to deed No. 256/6 dated 12-5-1387H its book value is zero.

The land of this factory is 4,816,250 M2 in Riyadh City owned by the Company according to deed No. 256/6 dated 12-5-1387H, along with its buildings and all facilities erected on it equipment & machineries are mortgaged in favour of Saudi Industrial Development Funds against the granted loan.

### NOTE 10 - CAPITAL WORK IN PROGRESS:

	As of Dece	ember 31
	2011	2010
	SR	SR
Factory Fencing Project	-	1,871,000
Repair & Paint of Mills Filters No. (788) Kiln No. (7)	1,365,139	1,365,139
Loading Liquid Cement Project	1,431,000	1,201,800
Provide Electricity to Housing from Planet	3,499,700	900,000
Business Planning System	2,799,573	569,922
Transferring additional materials to mill's store (5)	1,165,600	233,120
Machinery for new Stone	5,094,740	-
Project for housing at the factory (15 villas)	3,284,103	-
Transferring Kilns 3-4-5 dust to line 7's store	2,828,583	-
Improving Kilns (1-5)	2,679,621	-
Constructing new tank for raw oil	2,143,600	-
Internal fence and families club project	1,688,000	-
Renewal cement balances and replace control system	1,484,760	-
Moving conditioning tower for mill (6)	1,138,000	-
Other projects	9,851,651	1,301,935
Total	40,454,070	7,442,916

### NOTE 11 - LONG -TERM INVESTMENTS:

Equ	Equity	As of Dec	As of December 31,	
	%	2011	2010	
		SR	SR	
Investments in affiliated Companies:				
Cement Product Industry Co. Ltd., Jeddah	33.33	23,457,981	20,585,734	
Saudi Yamani Cement CoYamani Joint Stock	20	75,060,000	75,294,628	
Total		98,517,981	95,880,362	
Investments in Securities:				
Industrialization & Energy Service Co.(Joint Stock Co.)		112,499,970	112,499,970	
Sahara Petrochemical Co. (Join Stock Co.)		79,348,763	80,884,545	
Al-Kian Petrochemical CoKIAN		15,625	10,701,199	
Kian Saudi Petrochemical CoKIAN- (Joint Stock Co		16,312,500	-	
Kuwaiti, Sudanese withholding Co.(under formation)*		-	14,190,000	
Arabian Shield Co-operative Insurance Co. – Joint Stock Co.		20,700,000	19,950,000	
Hail Cement Co. – Saudi Joint Stock		91,800,000	60,000,000	
Total		320,676,858	298,225,714	
Total Investments		419,194,839	394,106,076	

<sup>\*</sup>This company has been liquidated during this year.

### **NOTE12 - ACCOUNTS PAYABLE**

	As of December 31,	
	2011	2010
	SR	SR
Suppliers	68,176,433	61,127,014
Advances from clients	33,795,628	25,404,233
Advance income	1,114,878	774,230
Total	103,086,939	87,305,477

### **NOTE 13 – LONG TERM LOANS:**

### 1. SAMBA financial Group (Islamic Morabah):

The Company has signed an agreement with SAMBA Financial Group (Islamic Morabah)an amount of SR 400 million to be settled by ten equal semi-annual installments starting from 1/9/2007. The final installment had been paid on 1/9/2010G. The movement of the loan was as follows:

	As of December 31,	
	2011	2010
	SR	SR
Balance at beginning of the year	-	80,000,000
Paid Installments during the Year	-	(80,000,000)
Balance at year end	-	-

### 2. Loan from Saudi Industrial Development Fund:

The Company has obtained a loan from Saudi Industrial Development FundNo. 1878 dated 12/1/2005G, amount of SR 459,796,000 against the mortgage of land plot 4,816,250 M2 located in Riyadh and owned by the Company according to deed No. 256/6 dated 12/5/1387H. Along with its buildings, factory, installations, annexes as well as equipment, machineries, in addition to a promissory note signed by the Company's Managing Director.

The loan to be settled on unequal installments to be paid on 15/2/1428H Corresponding to 5/3/2007G. and ends on 15/8/1436H Corresponding to 2/6/2015G. The movement of the loan was as follows:

	As of December 31		
	2011	2010	
	SR	SR	
Balance at beginning of the year	267,271,000	341,819,000	
Paid Installments during the Year	(77,379,000)	(74,548,000)	
Balance at year end	189,892,000	267,271,000	
Short portion of the loan	(141,775,000)	(77,379,000)	
Long term portion of the loan	48,117,000	189,892,000	

### NOTE 14 - ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES:

	As of December 31,	
	2011	2010
	SR	SR
Staff Accrued	13,795,734	905,570
Sundries payables	2,916,824	5,269,424
Others sundries accrued	1,343,884	1,399,460
Total	18,056,442	7,574,454

### **NOTE 15 – PROVISION FOR ZAKAT:**

### **Zakat Estimated Calculation:**

The Company approximate Zakatable amount consists of the following:

	As of December 31,	
	2011	2010
	SR	SR
Net income per books adjusted by:	763,761,010	681,930,122
Provisions for the year	13,151,634	12,897,579
The adjusted net income	776,912,644	694,827,701
Total added items	2,858,880,719	2,756,743,616
Total subtracted items	(2,668,857,449)	(2,551,795,396)
Zakat Estimated base	966,935,914	899,775,921
Zakat Estimated due at 2.5%	24,173,398	22,494,398

### The transaction of Zakat provision was as follows:

	As of December 31,	
	2011	2010
	(SR)	(SR)
Balance at Beginning of the Year	25,812,146	22,354,327
Paid during the Year	(21,114,296)	(21,542,181)
Provided during the Year	24,000,000	25,000,000
Balance at End of the Year	28,697,850	25,812,146

The Company has obtained the final assessment for the year 2005 and submitted Zakat Declaration up to the Year 2010. The Company paid Zakat due according to these Declarations and obtained certificate for the Year 2010.

### **NOTE 16 - CAPITAL:**

	As of December 31,		
	2011	2010	
	SR	SR	
Capital	1,350,000,000	1,350,000,000	

- •Authorized and paid Capital is SR 1,350,000,000 divided into 135,000,000 shares with SR 10 per each nominal share.
- •The board of directors on its meeting dated on 4-12-2011G decided to apply for the authorities to get approval on increasing the capital from 1,350 million Saudi Riyals to become 2,025 million Saudi Riyals with increase of 675 million Saudi Riyals which represent 50% of the capital. This increase will be resulting from using a part of the Company reserves through distributing free stocks on the current stockholders "one stock free for each two stocks". All the needed procedures shall be completed in the following period

### **NOTE 17 - STATUTORY RESERVE:**

	As of December 31,	
	2011 2010	
	SR	SR
Balance at Beginning of the Year	250,522,190	194,347,467
Added:		
Transferred with 10% from Net Income 2009	-	56,174,723
Transferred with 10% from Net Income 2010	65,693,012	-
Transferred with 10% from Net Income 2011	73,976,101	-
Balance at End of the Year	390,191,303	250,522,190

- •In accordance with the Saudi Arabian Companies Law & Company's Article of Association that 10% of annual net income is required to be transferred to statutory reserve. Ordinary General Meeting of shareholders' has the right to discontinue such transfer when this reserve equal 50% of the capital. The reserve is not subject for distribution.
- •According to the related Companies Regulations, through the year ended on 31 December 2011, 10% of the year 2010's net income was transferred to statutory reserve, this is in addition to 10% of the year 2011's net income.

### NOTE 18 - ADDITIONAL RESERVE:

	As of December 31,	
	2011	2010
	SR	SR
Balance at Beginning of the Year	957,935,136	907,935,136
Transferred from Net Income of the year	42,064,864	50,000,000
Total	1,000,000,000	957,935,136

According to Company's Article of Association, an additional reserve has been provided. The reserve can be increased, decreased or used according to Ordinary General Meeting resolutions.

### **NOTE 19 – SELLING AND MARKETING EXPENSES:**

	As of December 31,	
	2011	2010
	SR	SR
Salaries, Wages & Others	3,964,359	3,385,260
Shipping and Transportation	10,637,085	3,503,927
Fuel, Maintenance & Others	248,706	517,334
Advertisement & Publicity	289,100	192,030
Others	559,519	150,412
Long term portion of the loan	15,698,769	7,748,963

### **NOTE 20 – GENERAL & ADMINISTRATIVE EXPENSES:**

	As of Dece	ember 31,
	2011	2010
	SR	SR
Salaries Wages & Others	28,795,907	23,261,218
Postage, Cable, Telephone & Subscription	1,414,207	2,989,045
Donation	1,317,700	852,000
Repairing and Maintenance	903,182	810,051
Water & Electricity	400,232	397,155
Insurance	229,965	220,908
Printing & Publicity	183,320	152,660
Stationery & Books	88,004	44,000
Others	4,997,754	4,814,639
Total	38,330,271	33,541,676

### NOTE 21 - DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT:

	As of December 31,	
	2011	2010
	SR	SR
Buildings, Constructions, Facilities & Roads	41,063,638	41,122,706
Plants & Machineries	145,042,966	139,631,786
Vehicles & Transportation Vessels	1,030,018	925,061
Tools	-	27
Furniture & Office Equipment	1,117,188	998,133
Total	188,253,810	182,677,713
Less: Charged on Production & Service Divisions	(185,887,108)	(180,432,105)
Total administrative depreciation	2,366,702	2,245,608

### **NOTE 22 - OTHER REVENUE:**

	As of December 31,	
	2011	2010
	SR	SR
Income from Investment	13,538,301	16,929,419
Income from sailing scarabs and Dust	4,619,839	4,732,819
Total	18,158,140	21,662,238

### **NOTE 23 - EARNING PER SHARE:**

Earnings per Share is calculated on the basis of Net Income Profits for the Fiscal Year, divided by the weighted average number of shares outstanding during the year.

### **NOTE 24 – DIVIDENDS:**

The Board of Directors recommended to distribute a total profit of the Year 2011amounting to 540 million Saudi Riyals (2010G – **540** million Saudi Riyals) at SR 4/per share, which represents 40% of capital. A phased distribution of SR 2 is distributed.

### NOTE 25 - APPROVAL OF THE FINANCIAL SATEMENTS:

The board of directors approved the financial statements for the year ended on 31 December 2011 on its meeting dated on 17 January 2012.

### **NOTE 26 – SEGMENT INFORMATION:**

There is one operational sector for Cement Industry Co., and its derivatives, the Company is practicing its activities in Saudi Arabia.

### **NOTE 27- CONTINGENT LIABILITIES:**

The contingent liabilities are represented in the value of Letters of Guarantees issued by the Company in favor of others which equals 26,409 million Saudi Riyals on 31 December 2011 "25,710 million Saudi Riyals in 31 December 2010.

### **NOTE 28 – FUTURE COMMITMENTS:**

The Board of Directors on its meeting dated 4-12-2011 approved future Commitments amounting to S.R. **78,000,000** (2010G. is SR. **134,000,000**).

### NOTE 29 - THE FINANCIAL TOOLS:

The financial tools are related specially to the current assets which support the financial position of the Company and increase its ability to pay its obligations. From this aspect, the financial tools of the Company are cash in hands and current bank accounts, investments, accounts receivable, other receivables, and due from related parties. The financial obligations are accounts payable, accrued expenses, due to employees, installments of the loan due through the next year, due to related parties and Zakat provision. In the date of the financial statements, there is no substantial difference between the fair values of the financial tools and its book values.

### **NOTE 30- RISK MANAGEMENT:**

### Credit Risk:

It is the failure of one part to fulfill his liabilities which causes a financial loss to the second part, there is no credit risk to be carried by the Company, whereas the Company is depositing the cash in a high credit level with a good reputation local banks. The Company also deals with local customers who have credibility and with holding the sufficient assurance which decrease the credit risks to its lower levels, also the amounts receivable from the local customers is recorded by realizable value.

### Interest Risks

It is the risks of financial instruments changes due to the changes of the current interest value in the market, influenced on balance sheet, cash flows, the Company is not having essential assets charged by interest during the Year ended 31 December 2011 or the previous year.

### **Liquidity Risks**

It is the failure of a firm to secure the required liquidity to meet current liabilities of financial tools, the Company manages liquidity risks through keeping current bank balances continuously which is equivalent to its current liabilities.

### **Currency Risks**

It is the risks of variation in the financial instruments due to exchange rates, the Company's main transactions in Saudi Riyals, US Dollars, EURO and Sweden Kroner. The Companymanages currency risks by focusing on using currencies that have a stable or nearly stable exchange rate. The management also monitor fluctuation of exchange rates and consider the changes in currency risks are not essential.

### **NOTE 31- COMPARATIVE FIGURES:**

Figures for the previous year have been re-classified to be in conformity with current year presentation.