

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

**INTERIM FINANCIAL STATEMENTS  
AND LIMITED REVIEW REPORT FOR  
THE THREE MONTHS AND SIX MONTHS  
PERIODS ENDED JUNE 30, 2014**

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

**INTERIM FINANCIAL STATEMENTS AND LIMITED REVIEW REPORT**  
**FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2014**

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**LIMITED REVIEW REPORT**

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

**Scope of the Review**

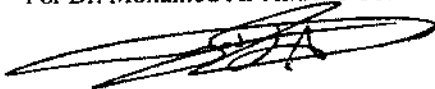
We have reviewed the accompanying interim balance sheet of the Saudi Cement Company (a Saudi joint stock company) as of June 30, 2014 and the related interim statement of income for three months and six months periods then ended, interim statements of cash flows and changes in shareholders' equity for the six-months period 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/ 09/1435 (H)  
14/ 07/2014 (G)

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

**INTERIM BALANCE SHEET AS AT JUNE 30, 2014 (Unaudited)**

	<u>Notes</u>	<u>2014</u> <u>SR'000</u>	<u>2013</u> <u>SR'000</u>
<b><u>ASSETS</u></b>			
<b>Current Assets</b>			
Cash and cash equivalents		376,500	374,260
Accounts receivable		213,353	227,819
Inventories	5	604,887	269,304
Prepaid expenses and other		135,754	87,510
<b>Total current assets</b>		<b>1,330,494</b>	<b>958,893</b>
<b>Non- current assets</b>			
Investments		85,668	98,919
Fixed assets –net		3,113,816	3,260,662
Capital work in progress		101,913	90,770
<b>Total non-current assets</b>		<b>3,301,397</b>	<b>3,450,351</b>
<b>TOTAL ASSETS</b>		<b>4,631,891</b>	<b>4,409,244</b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>			
<b>Current liabilities</b>			
Islamic Tawarruq loans	7	700,000	400,000
Saudi Industrial Development Fund (SIDF) loan-current portion		110,000	90,000
Accounts payable		61,625	70,788
Dividends and other payables to shareholders		685,849	653,459
Accruals and other credit balances		95,444	98,422
<b>Total current liabilities</b>		<b>1,652,918</b>	<b>1,312,669</b>
<b>Non- current liabilities</b>			
Capital lease obligations		499	1,031
Saudi Industrial Development Fund (SIDF) loan		180,000	290,000
Provision for end of service benefits		88,884	73,456
<b>Total non- current liabilities</b>		<b>269,383</b>	<b>364,487</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	765,000	765,000
Voluntary reserve- Al Ahsa Trauma Center		50,000	50,000
Voluntary reserve- un appropriated		20,000	20,000
Retained earnings		344,590	367,088
<b>Total stockholders' equity</b>		<b>2,709,590</b>	<b>2,732,088</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>4,631,891</b>	<b>4,409,244</b>

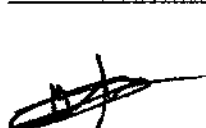
The accompanying notes 1 to 9 form an integral part of these interim financial statements.

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

**INTERIM STATEMENT OF INCOME**  
**FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2014 (Unaudited)**

	For the three months ended June 30, 2014 SR'000	For the three months ended June 30, 2013 SR'000	For the six months ended June 30, 2014 SR'000	For the six months ended June 30, 2013 SR'000
<b>Note</b>				
Sales	538,382	626,421	1,073,142	1,239,168
Cost of sales	(215,558)	(286,434)	(424,241)	(525,068)
<b>Gross income</b>	<b>322,824</b>	<b>339,987</b>	<b>648,901</b>	<b>714,100</b>
Selling and distribution expenses	(10,386)	(7,283)	(17,791)	(15,266)
General and administrative expenses	(16,657)	(16,397)	(31,735)	(31,937)
<b>Operating income</b>	<b>295,781</b>	<b>316,307</b>	<b>599,375</b>	<b>666,897</b>
Company's share of profits / (loss) of associated companies	2,353	1,555	(4,902)	2,307
Islamic Murabaha income	-	-	-	293
Islamic and SIDF loans charges	(3,864)	(2,911)	(6,901)	(6,088)
Others, net	1,395	60	1,476	625
<b>Net Income before zakat</b>	<b>295,665</b>	<b>315,011</b>	<b>589,048</b>	<b>664,034</b>
Zakat	(7,369)	(7,874)	(14,704)	(16,600)
<b>Net income for the period</b>	<b>288,296</b>	<b>307,137</b>	<b>574,344</b>	<b>647,434</b>
<b>Earnings per share (SR)</b>	<b>3</b>			
Earnings per share from net income	SR 1.88	SR 2.01	SR 3.75	SR 4.23
Earnings per share from continuing main operations	SR 1.86	SR 2.00	SR 3.78	SR 4.21
Earnings / (loss) per share from continuing other operations	SR 0.02	SR 0.01	SR (0.03)	SR 0.02
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 SIX MONTHS ENDED JUNE 30, 2014 (Unaudited)**

	Note	2014 SR'000	2013 SR'000
<b>Cash flows from operating activities:</b>			
Net income before zakat		589,048	664,034
Adjustments for :			
Depreciation		100,803	100,596
End of service benefits		12,097	7,306
Islamic Murabaha income		-	(293)
Company's share in profit / (loss) of associated companies		4,902	(2,307)
Islamic and SIDF loans charges		6,901	6,088
(Gain) on disposal of fixed assets		(1,539)	(101)
		712,212	775,323
<b>Changes in operating assets and liabilities :</b>			
Accounts receivable		904	(22,385)
Inventories		(68,333)	53,410
Prepaid expenses and other		(13,530)	(40,733)
Accounts payable		16,730	37,897
Accruals and other credit balances		(1,095)	(10,936)
Cash from operations		646,888	792,576
Islamic and SIDF loans charges paid		(6,132)	(6,746)
End of service benefits paid		(8,165)	(6,772)
Zakat paid		(37,893)	(37,937)
<b>Net cash from operating activities:</b>		594,698	741,121
<b>Cash flows from investing activities</b>			
Additions to fixed assets and capital work in progress		(23,509)	(15,768)
Proceeds from disposal of fixed assets		1,605	102
Dividends received from associated companies		894	894
Islamic Murabaha income, received		-	293
<b>Net cash used in investing activities</b>		(21,010)	(14,479)
<b>Cash flows from financing activities</b>			
Islamic Tawarruq loans		275,000	-
Saudi industrial development fund (SIDF) loan		(45,000)	(40,000)
Capital lease obligations - paid		(506)	(522)
Directors' remuneration paid		(2,200)	(2,200)
Dividends paid		(537,855)	(536,342)
<b>Net cash used in financing activities</b>		(310,561)	(579,064)
<b>Net increase in cash and cash equivalents</b>		263,127	147,578
Cash and cash equivalents, January 1		113,373	226,682
<b>Cash and cash equivalents, June 30</b>		376,500	374,260
<b>Non-cash transactions:</b>			
Fixed assets acquired by capital lease		-	2,212
Accrued interim dividends for first half of 2014 at the rate of SR 3.5 per share (2013: SR 3.5 per share)	8	535,500	535,500

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

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**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 (Unaudited)**

	Notes	Share capital SR 000	Statutory reserve SR 000	Voluntary reserve Trauma Center SR 000	Voluntary reserve un appropriated SR 000	Retained Earnings SR 000	Total SR 000
January 1, 2013		1,530,000	765,000	50,000	20,000	792,854	3,157,854
Dividends	8	-	-	-	-	(1,071,000)	(1,071,000)
Directors' remuneration		-	-	-	-	(2,200)	(2,200)
Net income for the period		-	-	-	-	647,434	647,434
June 30, 2013		1,530,000	765,000	50,000	20,000	367,088	2,732,088
January 1, 2014		1,530,000	765,000	50,000	20,000	843,446	3,208,446
Dividends	8	-	-	-	-	(1,071,000)	(1,071,000)
Directors' remuneration		-	-	-	-	(2,200)	(2,200)
Net income for the period		-	-	-	-	574,344	574,344
June 30, 2014		1,530,000	765,000	50,000	20,000	344,590	2,709,590

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





**SAUDI CEMENT COMPANY**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014 (Unaudited)**

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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.

**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 interim 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.

**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.

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**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014 (Unaudited)**

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**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%

**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.

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**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014 (Unaudited)**

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**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.

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 quarter. When the final zakat assessment is approved any difference between the assessment and the zakat estimates (if existed) is recorded in the interim 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.

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**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014 (Unaudited)**

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**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.

The general assembly held on March 22, 2013 (10 Jumada I, 1434H) has approved stopping of appropriation of 10% of net income since the reserve has reached 50% of paid-up capital. This reserve is not available for dividend distribution.

**5- GOVERNMENT INCENTIVE FOR CLINKER IMPORTATION**

Based on accruals basis, the government incentive for clinker importation is deducted from the cost of the imported clinker, and hence this incentive is reflected on the value of the imported clinker inventory until it is grinded into cement and sold when its cost of sales is matched against the revenues earned from those sales.

**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**

Some local banks have granted the Company various revolving Islamic Tawarruq loans facilities for the purpose of financing its working capital with a total limit amounting to SR 2,650 million as at end of second quarter 2014(second quarter 2013 : SR 1,600 million) . Management has the ability to rollover these loans on their maturity dates if the need arises. Therefore, it is possible that these loans may be repaid over a period exceeding one year.

The utilized loans' balance as at end of second quarter 2014 is SR 700 million (second quarter 2013: SR 400 million).

**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014 (Unaudited)**

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**8- DIVIDENDS**

The General Assembly approved during its meeting held on 20/3/2013 G (8/5/1434 H) the proposal of the Board of Directors to pay interim dividends for second half of 2012 at the rate of SR 3.5 per share, representing 35% of the nominal share value amounted to SR 535.5 million ( SR 4.5 per share for second half of year 2011). Entitlement to the distribution would be to stockholders on record as at the end of Tadawul dealings day of ordinary general assembly meeting on Wednesday 20/3/2013G (8/5/1434H ). Disbursement commenced on Sunday 31/3/2013 G (19/5/1434 H).

The Board of Directors resolved during its meeting held on Wednesday 29/5/2013 G (19/7/1434 H) to pay interim dividends for first half of 2013 at the rate of SAR 3.5 per share, representing 35% of the nominal share value amounted to SR 535.5 million ( SR 3.5 per share for first half of year 2012). Entitlement to the distribution would be to stockholders on record as at the end of Tadawul dealings on Monday 01/7/2013G (22/8/1434H). Disbursement commenced on Tuesday 9/7/2013 G(1/9/1434 H).

The General Assembly approved during its meeting held on 17/3/2014 G (16/5/1435 H) the proposal of the Board of Directors to pay interim dividends for second half of 2013 at the rate of SAR 3.5 per share, representing 35% of the nominal share value amounted to SR 535.5 million (SR 3.5 per share for second half of year 2012). Entitlement to the distribution would be to stockholders on record as at the end of Tadawul dealings day of ordinary general assembly meeting on Monday 17/3/2014G (16/5/1435H). Disbursement commenced on Wednesday 26/3/2014 G(25/5/1435 H).

The Board of Directors resolved during its meeting held on Thursay 29/5/2014 G (30/7/1435 H) to pay interim dividends for first half of 2014 at the rate of SAR 3.5 per share, representing 35% of the nominal share value amounted to SR 535.5 million ( SR 3.5 per share for first half of year 2012). Entitlement to the distribution would be to stockholders on record as at the end of Tadawul dealings on Monday 01/7/2014G (04/9/1435H). Disbursement commenced on Tuesday 9/7/2014 G(12/9/1435 H).

**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.

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