

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

**INTERIM FINANCIAL STATEMENTS
AND LIMITED REVIEW REPORT FOR THE
THREE MONTHS ENDED MARCH 31, 2011**

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LIMITED REVIEW REPORT

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

We have reviewed the accompanying interim balance sheet of Saudi Cement Company "A Saudi Joint Stock Company" as of March 31, 2011 and the interim statements of income and cash flows for the three month period then ended including the related notes from 1 to 9. These interim financial statements are the responsibility of the Company's management and have been presented to us together with all the information and explanations which we required.

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

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

For Dr. Mohamed Al-Amri & Co.



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



April 11, 2011 (G)
Jumad Al Awwal 07, 1432 (H)

SAUDI CEMENT COMPANY
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INTERIM BALANCE SHEET AS AT MARCH 31, 2011 (Unaudited)

	<u>Notes</u>	<u>2011</u> <u>SR'000</u>	<u>2010</u> <u>SR'000</u>
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents		684,023	227,853
Accounts receivable		200,432	185,926
Inventories		496,042	585,882
Prepayments and other		70,492	28,152
Total current assets		1,450,989	1,027,813
Non- current Assets			
Investments	6	80,371	74,839
Fixed assets - net		3,326,847	3,505,556
Construction - in- progress		310,421	289,561
Total non- current assets		3,717,639	3,869,956
TOTAL ASSETS		5,168,628	4,897,769
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
Current Liabilities			
Accounts payable		44,740	30,438
Accruals and other		176,986	528,683
Islamic Tawarruq loans	8	830,000	700,000
Medium Term loan - current portion		-	182,198
Saudi Industrial Development Fund (SIDF) loan-current portion		58,000	33,000
Total current liabilities		1,109,726	1,474,319
Non- current Liabilities			
Saudi Industrial Development Fund (SIDF) loan		405,800	463,800
Provision for end of service benefits		71,019	71,376
Total non- current liabilities		476,819	535,176
Stockholders' Equity			
Paid up capital (represents 153,000,000 fully paid shares of SR 10 each.)		1,530,000	1,020,000
Statutory reserve		575,953	510,000
Voluntary reserve – Al-Ahsa Truama Center		50,000	-
Voluntary reserve - Un appropriated		20,000	70,000
Retained earnings		1,406,130	1,288,274
Total stockholders' equity		3,582,083	2,888,274
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		5,168,628	4,897,769

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



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INTERIM STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2011 (Unaudited)

	2011 SR'000	2010 SR'000
Sales	423,125	410,890
Cost of sales	(179,473)	(205,003)
Gross income	243,652	205,887
Selling and distribution expenses	(10,756)	(9,000)
General and administrative expenses	(15,033)	(13,973)
Net operating income	217,863	182,914
Share in net profit of associated companies	757	3,000
Islamic Murabaha income	15	162
Islamic loans charges	(3,348)	(6,848)
Others, net	964	1,878
Net income before zakat	216,251	181,106
Zakat	(5,406)	(4,528)
Net income	210,845	176,578
Earnings per share (SR) (Note 4)		
Earnings per share from net income	SR 1.38	SR 1.15
Earnings per share from continuing main operations	SR 1.37	SR 1.12
Earnings per share from continuing other operations	SR 0.01	SR 0.03
Weighted average number of shares	153,000,000	153,000,000

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 THREE MONTHS ENDED MARCH 31, 2011 (Unaudited)

	2011 SR'000	2010 SR'000
Cash flows from operating activities:		
Net income before zakat	216,251	181,106
Adjustments for:		
Depreciation	44,235	53,299
End of service benefits provision	4,391	1,924
Islamic Murabaha income	(15)	(162)
Share in net profit of associated companies	(757)	(3,000)
Islamic loans charges	3,348	6,848
(Gain) loss on disposal of fixed assets	(54)	152
	<u>267,399</u>	<u>240,167</u>
Changes in operating assets and liabilities:		
Accounts receivable	13,077	(31,067)
Inventories	29,339	59,827
Prepayments and other	(29,656)	19,490
Accounts payable	3,671	(38,645)
Accruals and other	(33,987)	(39,442)
Cash from operations	<u>249,843</u>	<u>210,330</u>
Islamic loans charges paid	(2,155)	(6,188)
End of service benefits paid	(2,452)	(4,482)
Net cash from operating activities	<u>245,236</u>	<u>199,660</u>
Cash flows from investing activities		
Additions to fixed assets and capital work in progress	(4,144)	(24,701)
Proceeds from disposal of fixed assets	56	-
Proceeds from Islamic Murabaha	26	200
Investments	(10,778)	-
Net cash used in investing activities	<u>(14,840)</u>	<u>(24,501)</u>
Cash flows from financing activities		
Islamic Tawarruq loans	390,000	(30,000)
Islamic Medium term loan, net	-	(90,194)
Saudi industrial development fund (SIDF) loan	(23,000)	(10,000)
Directors' remuneration paid	(2,200)	(2,200)
Dividends paid	(1,912)	(1,728)
Net cash from (used in) financing activities	<u>362,888</u>	<u>(134,122)</u>
Net change in cash and cash equivalents	<u>593,284</u>	<u>41,037</u>
Cash and cash equivalents, January 1	<u>90,739</u>	<u>186,816</u>
Cash and cash equivalents, March 31	<u>684,023</u>	<u>227,853</u>

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 ENDED MARCH 31, 2011 (Unaudited)**

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.

Significant accounting policies are summarized below:

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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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 have a maturity date of three months or less.

Islamic Murabaha that have a maturity date up to three months from the purchasing date are considered as cash and cash equivalents. Islamic Murabaha that have a maturity date of more than three months but less than one year from the purchasing date are classified as Islamic murabaha in banks in a separate line under the current assets.

c) Inventories

Finished goods and work in process inventories represent the cost of raw materials, labor, materials, and other overhead expenses. Raw material inventories are stated at the lower of weighted average cost or net realizable value. Paper bags, spare parts, maintenance consumables, and others are valued at weighted average cost.

d) Investments

Investments in companies which are at least 20% owned and in which the Company exercises significant influence are recorded using the equity method, under which the investment is stated initially at cost and adjusted thereafter in light of change in the Company's share 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 follows:

	%
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 transactions

Foreign currency transactions are translated to Saudi Riyals at exchange rates prevailing at 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.

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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 those assets have suffered 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

Dividends distributions are recorded in the year in which the general assembly approves such distributions.

3- DIVIDENDS PAYABLE

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 will be 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 start from April 3, 2011.

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4- 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.

5- 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 such reserve equals 50% of the share capital. This reserve is not available for dividends distribution.

6- 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 transferred KD 800,000 to the bank account of the Company Under-formation for subscription for shares in the Company.

7- 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.

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8- ISLAMIC TAWARRUQ LOANS

It represents Islamic loans which mature within a period not exceeding one year, and it have been obtained for the purpose of financing the expansion of projects. Management believes that it has the ability to renew these loans if the need arise at the time of maturity. Therefore, it is expected that these loans may be repaid over a period extending beyond the year 2011.

9- THE INTERIM PERIOD RESULTS

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