

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

**INTERIM FINANCIAL STATEMENTS
AND REVIEW REPORT FOR THE
THREE-MONTH AND NINE-MONTH
PERIODS ENDED SEPTEMBER 30, 2010**

SAUDI CEMENT COMPANY
(A Saudi Joint Stock Company)

**INTERIM FINANCIAL STATEMENTS AND LIMITED REVIEW REPORT
FOR THE THREE-MONTH AND NINE-MONTH PERIODS
ENDED SEPTEMBER 30, 2010**

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LIMITED REVIEW REPORT

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

Scope of the Review

We have reviewed the accompanying interim balance sheet of the Saudi Cement Company (a Saudi joint stock company) as of September 30, 2010 and the related interim statement of income for the three- month and nine- month periods then ended, and the interim statement of cash flows for the nine-month period then ended, including the related notes from 1 to 7 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



10/10/2010 (G)
02/11/1431 (H)

SAUDI CEMENT COMPANY
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INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2010 (UN-AUDITED)

	<u>Notes</u>	<u>2010</u> <u>SR'000</u>	<u>2009</u> <u>SR'000</u>
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents		92,557	143,514
Accounts receivable		204,772	160,257
Inventories		537,403	658,455
Prepayments and other debit balances		42,827	38,038
Total current assets		<u>877,559</u>	<u>1,000,264</u>
Non- current assets			
Investments		66,742	67,380
Fixed Assets –net		3,419,071	3,241,966
Capital work in progress		299,495	606,260
Total non- current assets		<u>3,785,308</u>	<u>3,915,606</u>
Total Assets		<u>4,662,867</u>	<u>4,915,870</u>

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INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2010 (Continued) (UN-AUDITED)

	<u>Notes</u>	<u>2010</u> <u>SR'000</u>	<u>2009</u> <u>SR'000</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
Current liabilities			
Islamic Tawarruq loans	5	650,000	766,338
Islamic Medium Term loan – current portion		-	357,000
Saudi Industrial Development Fund (SIDF) loan-current portion		46,000	20,000
Accounts payable		38,986	58,341
Accruals and other credit balances		196,992	220,061
Total current liabilities		<u>931,978</u>	<u>1,421,740</u>
Non- current liabilities			
Saudi Industrial Development Fund (SIDF) loan		440,800	486,800
Provision for end of service benefits		68,692	76,027
Total non- current liabilities		<u>509,492</u>	<u>562,827</u>
Stockholders' Equity			
Paid up capital (represents 153,000,000 shares fully paid of SR 10 each.)	1	1,530,000	1,020,000
Statutory reserve	4	510,000	510,000
Voluntary reserve- appropriated for trauma center	1	50,000	-
Voluntary reserve- un appropriated		20,000	70,000
Retained earnings		1,111,397	1,331,303
Total stockholders' equity		<u>3,221,397</u>	<u>2,931,303</u>
Total liabilities and stockholders' equity		<u>4,662,867</u>	<u>4,915,870</u>

The accompanying notes 1 to 7 form an integral part of these interim financial statements.

SAUDI CEMENT COMPANY
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**INTERIM STATEMENT OF INCOME FOR THE THREE-MONTH AND
NINE- MONTH PERIODS ENDED SEPTEMBER 30, 2010 (UN AUDITED)**

	For the three months ended September 30, 2010 SR'000	For the three months ended September 30, 2009 SR'000	For the nine months ended September 30, 2010 SR'000	For the nine months ended September 30, 2009 SR'000
Note				
Sales	327,103	307,741	1,158,415	1,015,583
Cost of sales	(163,171)	(159,598)	(568,602)	(503,541)
Gross income	163,932	148,143	589,813	512,042
Selling and distribution expenses	(9,482)	(7,944)	(27,913)	(24,295)
General and administrative expenses	(11,417)	(12,033)	(38,184)	(36,984)
Operating income	143,033	128,166	523,716	450,763
Company's share in profit of associated companies	4,316	3,125	5,635	16,062
Islamic Murabaha income	-	-	226	-
Islamic loans charges	(4,443)	(7,077)	(17,286)	(19,361)
Others, net	830	2,085	8,061	6,689
Net Income before zakat	143,736	126,299	520,352	454,153
Zakat	(3,452)	(3,158)	(12,867)	(11,354)
Net income	140,284	123,141	507,485	442,799
Earnings per share (SR)	3			
Earnings per share from net income	0.92 SR	0.80 SR	3.32 SR	2.89 SR
Earnings per share from continuing main operations	0.88 SR	0.77 SR	3.23 SR	2.75 SR
Earnings per share from continuing other operations	0.04 SR	0.03 SR	0.09 SR	0.14 SR
Weighted average number of shares	153,000,000 shares	153,000,000 shares	153,000,000 shares	153,000,000 shares

The accompanying notes 1 to 7 form an integral part of these interim financial statements.

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**INTERIM STATEMENT OF CASH FLOWS FOR THE NINE-MONTHS
PERIOD ENDED SEPTEMBER 30, 2010 (UN AUDITED)**

	<u>2010</u> <u>SR'000</u>	<u>2009</u> <u>SR'000</u>
Cash flows from operating activities:		
Net income before zakat	520,352	454,153
Adjustments for :		
Depreciation	159,375	157,318
End of service benefits provision	5,438	9,943
Company's share in profit of associated companies	(5,635)	(16,062)
Islamic loans charges	17,286	19,361
Gain on sale of fixed assets	(4,076)	(7,762)
	<u>692,740</u>	<u>616,951</u>
Changes in operating assets and liabilities :		
Accounts receivable	(49,913)	(30,356)
Inventories	108,306	(179,037)
Prepayments and other debit balances	4,853	(15,749)
Accounts payable	(30,097)	(105,051)
Accruals and other credit balances	(16,234)	2,276
Cash from operations	<u>709,655</u>	<u>289,034</u>
Islamic loans charges paid	(14,788)	(14,790)
End of service benefits paid	(10,680)	(26,484)
Zakat paid	(9,697)	(21,989)
Net cash from operating activities:	<u>674,490</u>	<u>225,771</u>

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INTERIM STATEMENT OF CASH FLOWS FOR THE NINE-MONTHS
PERIOD ENDED SEPTEMBER 30, 2010 (Continued) (UN AUDITED)

	2010 <u>SR'000</u>	2009 <u>SR'000</u>
Cash flows from investing activities :		
Additions to fixed assets and capital work in progress	(54,189)	(198,102)
Proceeds from sale of fixed assets	4,191	7,770
Dividends received from associated companies	10,732	17,880
Net cash used in investing activities	<u>(39,266)</u>	<u>(172,452)</u>
Cash flows from financing activities:		
Islamic Tawarruq loans	(80,000)	(171,579)
Islamic Medium term loan	(272,392)	357,000
Saudi industrial development fund (SIDF) loan	(20,000)	236,800
Directors' remuneration paid	(2,185)	(2,200)
Dividends paid	(354,906)	(361,241)
Net cash (used in)from financing activities	<u>(729,483)</u>	<u>58,780</u>
Net change in cash and cash equivalents	(94,259)	112,099
Cash and cash equivalents, January 1	<u>186,816</u>	<u>31,415</u>
Cash and cash equivalents, September 30	<u>92,557</u>	<u>143,514</u>
<u>Non- cash transactions :</u>		
Share capital increase by stock dividends (note 1)	510,000	-
Transfers from prepaid expenses and other debit balances to the fixed assets	<u>-</u>	<u>46,145</u>





The accompanying notes 1 to 7 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-MONTH AND NINE- MONTH PERIODS ENDED SEPTEMBER 30, 2010 (UN AUDITED)

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 share capital was increased by 51 million shares with the value of SR 510 million due to stock dividends distributed at the rate of 1 share for every 2 common stock shares outstanding as of Wednesday 5/6/1431H corresponding to 19/5/2010 G . This was based on the approval of the extra ordinary general shareholders assembly meeting conducted on Tuesday 4/6/1431H corresponding to 18/5/2010 G. The increase in capital was financed by transfer of SR 510 million from retained earnings to the share capital.

The extraordinary general shareholders assembly meeting has also approved in the same session mentioned above the appropriation of SR 50 million (fifty million Saudi Riyals) from the voluntary reserve for the purpose of building a Trauma center to be located in the National Guards hospital in Al-Ahsa for treatment of people injured from accidents, as a 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 in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants. The significant accounting policies applied by the Company are consistent with the accounting policies used for the preparation of annual financial statements.

The following is a summary of these accounting policies:

a) Accounting convention

The interim financial statements are prepared under the historical cost convention and accrual basis.

b) 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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c) 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.

d) 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.

e) 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.

f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Major expenditure incurred to improve the performance of machinery and equipment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. The annual depreciation rates are as following:

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

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g) 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.

h) Sales

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

i) 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.

j) 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.

k) 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.

l) Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that assets have suffered from an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash – generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

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Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount so that increases carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

m) Zakat

The Company is subject to the regulations of the department of zakat and income tax in the Kingdom of Saudi Arabia. Zakat is provided on accrual basis. The zakat provision for each interim period is estimated. The actual zakat provision is calculated at the year end and any difference is adjusted in the fourth interim quarter when the final zakat assessment is approved any difference between it and the zakat estimates is recorded in the income statement, and zakat provision is adjusted accordingly.

n) Dividends

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

3- EARNINGS PER SHARE

- Earnings per share is computed by dividing net income for the period by the weighted average number of shares outstanding .
- Earnings per share from continuing main operations is computed by dividing operating income less finance charges and zakat by the weighted average number of shares outstanding.
- Earnings per share for continuing other operations is computed by dividing total other income and expenses which are not directly attributable to the company's main operations by the weighted average number of shares outstanding .
- If the number of shares changed without changing the shareholders equity (as the case of stock dividends), then the effect of this change on the number of shares outstanding is regarded as if this change has happened at the beginning of the year and the earnings per share for all comparative periods is re-calculated using the new number of shares outstanding.

4- STATUTORY RESERVE

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