



**Yanbu Cement Company
(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)
As at 30 September 2011**

Ernst & Young

 **ERNST & YOUNG**

**REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE SHAREHOLDERS OF
YANBU CEMENT COMPANY (Saudi Joint Stock Company)**

Scope of Review

We have reviewed the interim condensed consolidated balance sheet of YANBU CEMENT COMPANY ("the Company") (Saudi Joint Stock Company) and its subsidiary as at 30 September 2011 and the related interim consolidated statement of income for the three month and nine month periods then ended and the interim consolidated statements of cash flows and changes in shareholders' equity for the nine months period then ended, which have been prepared by the company's management and submitted to us together with all the information and explanations which we required. We conducted our review in accordance with Saudi Organization for Certified Public Accountants (SOCPA) standards on interim financial information. A review is limited primarily to analytical procedures applied to financial data and inquiries of Company's personnel 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 on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

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

Ernst & Young



Ahmed I. Reda
Certified Public Accountant
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10 Thul- Quada 1432H
8 October 2011

Jeddah

Yanbu Cement Company (A Saudi Joint Stock Company) and its Subsidiary

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 September 2011

	Note	2011 SR	2010 SR
ASSETS			
CURRENT ASSETS			
Cash and bank balances		451,213,900	134,106,025
Investments in trading Fund		17,087	17,059
Accounts receivable and other assets		179,326,919	176,133,142
Inventories		310,174,945	290,188,206
TOTAL CURRENT ASSETS		940,732,851	600,444,432
NON-CURRENT ASSETS			
Property and equipment	4	3,489,778,628	3,151,681,935
TOTAL ASSETS		4,430,511,479	3,752,126,367
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Bank facilities - current portion		243,375,828	1,596,327
Bank overdraft		4,503,065	3,569,338
Trade accounts payable		138,355,683	182,189,160
Dividends payable		55,998,902	56,781,223
Zakat provision		8,811,576	8,169,640
Accrued expenses and other liabilities		113,897,931	155,861,272
TOTAL CURRENT LIABILITIES		564,942,985	408,166,960
NON-CURRENT LIABILITIES			
Bank facilities		1,089,608,019	846,724,654
End of service benefits provision		55,865,485	46,733,100
TOTAL NON-CURRENT LIABILITIES		1,145,473,504	893,457,754
TOTAL LIABILITIES		1,710,416,489	1,301,624,714
SHAREHOLDERS' EQUITY			
Authorized and fully paid capital		1,050,000,000	1,050,000,000
Statutory reserve		525,000,000	525,000,000
Expansionary reserve	1	741,879,357	523,715,604
Retained earnings		375,881,893	330,837,096
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS IN PARENT COMPANY		2,692,761,250	2,429,552,700
Minority interest		27,333,740	20,948,953
TOTAL SHAREHOLDERS' EQUITY		2,720,094,990	2,450,501,653
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,430,511,479	3,752,126,367

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements

Yanbu Cement Company (A Saudi Joint Stock Company) and its Subsidiary

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For three-month and nine month period ended 30 September 2011

	Note	<u>For the three month period ended 30 September</u>		<u>For the nine month period ended 30 September</u>	
		2011 SR	2010 SR	2011 SR	2010 SR
Net sales		272,497,128	191,505,274	812,915,628	683,065,484
Cost of sales		(137,813,404)	(87,865,115)	(408,815,509)	(329,673,414)
GROSS PROFIT		134,683,724	103,640,159	404,100,119	353,392,070
Selling and distribution expenses		(2,346,185)	(2,308,050)	(8,209,860)	(6,970,199)
General and administrative expenses		(3,917,047)	(4,098,255)	(13,858,525)	(11,550,431)
NET INCOME FROM MAIN OPERATIONS		128,420,492	97,233,854	382,031,734	334,871,440
Financial charges		(118,402)	(14,379)	(249,320)	(60,873)
Other income		1,354,766	901,982	7,165,829	7,118,659
NET INCOME BEFORE ZAKAT AND MINORITY INTEREST		129,656,856	98,121,457	388,948,243	341,929,226
Zakat		(3,141,851)	(3,000,000)	(8,867,802)	(8,514,367)
NET INCOME BEFORE MINORITY INTEREST		126,515,005	95,121,457	380,080,441	333,414,859
Minority interest		(1,633,715)	(881,093)	(4,198,548)	(2,577,763)
NET INCOME		124,881,290	94,240,364	375,881,893	330,837,096
EARNING PER SHARE	3				
FROM NET INCOME FROM MAIN OPERATIONS		1.22	0.93	3.64	3.19
EARNING PER SHARE FROM NET INCOME		1.19	0.90	3.58	3.15

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements

Yanbu Cement Company (A Saudi Joint Stock Company) and its Subsidiary

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine-month period ended 30 September 2011

	2011 SR	2010 SR
OPERATING ACTIVITIES		
Net income before zakat and minority interest	388,948,243	341,929,226
Adjustments for:		
Depreciation	82,360,717	75,244,826
Amortization	-	166,571
Gain on disposal of property and equipment	(7,100)	(4,015)
End of service benefits provision, net	7,246,470	6,079,143
	<u>478,548,330</u>	<u>423,415,751</u>
Change in operating assets and liabilities:		
Accounts receivable and other assets	(9,485,716)	(31,708,517)
Inventories	8,683,110	(3,143,467)
Trade accounts payable	(67,922,547)	139,920,339
Accrued expenses and other liabilities	(30,565,259)	38,944,052
Zakat paid	(12,473,522)	(11,877,990)
Net Cash From Operating Activities	<u>366,784,396</u>	<u>555,550,168</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(288,572,560)	(1,122,527,720)
Proceeds on sale and disposal of property and equipment	7,100	4,015
Net cash used in investing activities	<u>(288,565,460)</u>	<u>(1,122,523,705)</u>
FINANCING ACTIVITIES		
Bank facilities received	382,901,906	728,724,654
Bank facilities settled	(120,950,892)	(3,494,637)
Bank overdraft	3,483,207	(1,133,001)
Dividends paid to shareholders	(210,262,740)	(315,516,547)
Board of directors' fees	(2,200,000)	(2,200,000)
Net cash from financing activities	<u>52,971,481</u>	<u>406,380,469</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	131,190,417	(160,593,068)
Cash and cash equivalents - beginning of the period	<u>320,040,570</u>	<u>294,716,152</u>
CASH AND CASH EQUIVALENTS - END OF THE PERIOD	<u>451,230,987</u>	<u>134,123,084</u>
ADDITIONAL NON-CASH TRANSACTIONS		
Balance of retained earning transferred to expansionary reserve	<u>218,163,753</u>	<u>164,861,054</u>

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements

Yanbu Cement Company (A Saudi Joint Stock Company) and its Subsidiary

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the period ended 30 September 2011

	Note	2011 SR	2010 SR
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY			
CAPITAL		<u>1,050,000,000</u>	<u>1,050,000,000</u>
STATUTORY RESERVE		<u>525,000,000</u>	<u>525,000,000</u>
EXPANSIONARY RESERVE			
Balance at the beginning of the period		523,715,604	358,854,550
Transferred from retained earnings	1	<u>218,163,753</u>	<u>164,861,054</u>
Balance at the end of the period		<u>741,879,357</u>	<u>523,715,604</u>
RETAINED EARNINGS			
Balance at the beginning of the period		430,363,753	482,061,054
Net income for the period		375,881,893	330,837,096
Dividends		(210,000,000)	(315,000,000)
Transferred to expansionary reserve	1	(218,163,753)	(164,861,054)
Board of directors fees		(2,200,000)	(2,200,000)
Balance at the end of the period		<u>375,881,893</u>	<u>330,837,096</u>
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY		<u>2,692,761,250</u>	<u>2,429,552,700</u>
MINORIY INTERESTS			
Balance at the beginning of the period		23,135,192	18,371,190
Minority share of net income for the period		<u>4,198,548</u>	<u>2,577,763</u>
Balance at the end of the period		<u>27,333,740</u>	<u>20,948,953</u>
TOTAL SHAREHOLDERS' EQUITY		<u>2,720,094,990</u>	<u>2,450,501,653</u>

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements

Yanbu Cement Company (A Saudi Joint Stock Company) and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 2011

1 ACTIVITIES

Yanbu Cement Company (a Saudi Joint Stock Company) ("The Company" or "Parent Company") incorporated per Royal Decree No. M/10 of 24/3/1397H based on the Council of Ministers Resolution No. 1074 of 10/8/1394H, is registered in Yanbu City under Commercial Registration No. 4700000233 of 21/11/1398H pursuant to Ministry of Industry and Electricity Resolution No. 67/S of 17/3/1396H.

As of 9 March 2011, the board of directors agreed in their general meeting to transfer the balance of the retained earnings remaining from the year ended 31 December 2010, after dividend distribution and board of directors' fees, to the expansionary reserve.

The Company is engaged in the manufacturing of ordinary Portland cement, resistant cement and pozzolanic cement.

The interim consolidated financial statements comprise the accounts of the parent company, Yanbu Cement Company its two branches and subsidiary as detailed below:

Company's Name	Country of Incorporation	Shareholding
Yanbu Saudi Kuwaiti Paper Products Company Ltd.	Kingdom of Saudi Arabia	60%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements are prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and in accordance with Saudi Organization for Certified Public Accountants standard on interim financial information. The Company's significant accounting policies followed in preparing these interim condensed consolidated financial statements are consistent with the policies stated in the financial statements for the year ended 31 December 2011.

Interim condensed consolidated financial reports do not include all the information and disclosures required for the audited financial statements which are prepared according to the Saudi Organization for Certified Public Accountants. In addition, results presented in these interim condensed consolidated financial reports may not represent an accurate indicator for results for the year ending 31 December 2011.

The significant accounting policies adopted are as follows:

Basis of consolidation

The interim condensed consolidated financial statements comprise the interim consolidated financial statements of the parent company and its subsidiary, as explained in Note (1) above. All inter-company transactions and balances are eliminated when consolidating.

Accounting convention

The interim condensed consolidated financial statements are prepared under the historical cost convention, except investments in mutual funds which are measured at fair value.

Yanbu Cement Company (A Saudi Joint Stock Company) and its Subsidiary
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimate

The preparation of interim condensed consolidated financial statements in conformity with generally accepted accounting principles requires 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 condensed consolidated financial statements and the reported amounts of revenues and expenses during the condensed consolidated financial statements period.

Revenue recognition

Revenue is recognized, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably normally on delivery to the customer net of trade and quantity discounts.

Accounts receivable

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Inventories

Raw material inventories, work-in-progress and spare parts are stated at the lower of cost or net realizable value. Cost of raw materials and spare parts is determined using the moving average method. The cost of work-in-progress includes direct materials, direct labor and any related overheads. Slow moving and obsolete spare parts are provided for and stated at net book value.

Property and equipment

Property furniture and equipment are stated at cost less accumulated depreciation and any impairment. Freehold land is not depreciated. The cost less estimated residual value of property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets – effective from its date of purchase or construction. Paper products factory buildings and paper products factory plant and equipment relating to the subsidiary are depreciated using the units of production method.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditures for repairs and maintenance are charged to statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalized.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat

In accordance to Zakat financial accounting standard, Zakat provision for individual fiscal periods is measured and recognized in accordance with Saudi Arabian Zakat rules and regulations on accrual basis. Zakat for the period was accounted for on estimate basis. The liability is charged to the condensed consolidated statement of income in an independent item. Zakat is accounted for on accurate basis when issuing the audited consolidate financial statement for the year ending 31 December 2011.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

End of service benefits

Provision is made for amounts payable under the Saudi Arabian Labour Law applicable to employees' accumulated periods of service at the consolidate balance sheet date.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash in hand, time deposits and investments in mutual funds readily convertible to cash and has a maturity of 3 months or less as at the purchase date.

Selling, distribution, general and administration expenses

Selling and distribution expenses are those that specifically relate to salesmen, warehousing and other overheads. All other expenses are classified as general and administration expenses.

Financial charges

Financial charges that are directly attributable to the construction of an asset are capitalised up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the condensed statement of income.

Translation of foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists any impairment loss is recognized in the statement of income. Impairment is determined as follows:

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the condensed consolidated statement of income.
- b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- c) For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

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3 EARNING PER SHARE

Earnings per share from net operations profit is calculated by dividing the net profit from operations for the period by the weighted average number of shares amounting to 105,000,000 shares during that period.

Earnings per share on net profit are calculated by dividing the net profit for the period by the weighted average number of shares during the period amounting to 105,000,000.

4 PROPERTY AND EQUIPMENT

Property and equipment include an amount of SR 2,155,016,094 which represents what was spent on construction of production line number five which still under construction.

5 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The company's financial assets consist of cash and cash equivalent, accounts receivables and other assets, its financial liabilities consist of bank facilities, trade accounts payables and other liabilities.

The fair values of financial instruments are not materially different from their carrying values.

6 RISK MANAGEMENT

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of the financial instruments. The Company is subject to interest rate risk on its interest bearing assets and liabilities mainly bank overdraft and bank facilities. The management limits the company's interest rate risk by monitoring changes in interest rates in the currencies in which its interest bearing liabilities are denominated.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The Company's financial liabilities consist of current portion bank facilities, trade accounts payables, dividends payable and accrued expenses and other liabilities. All the financial liabilities are expected to be settled within 12 months of the balance sheet date and the Company expects to have adequate funds available to do so.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables and obtaining letters of guarantee and letters of credit from some customers' as a guarantee.

With respect to credit risks arising from the other financial assets of the Company, including cash and cash equivalents and other assets the company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these assets.

Yanbu Cement Company (A Saudi Joint Stock Company) and its Subsidiary
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6 RISK MANAGEMENT (continued)

Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars, during the period, and therefore it was not exposed to significant currency risk.

7 KEY SOURCE OF ESTIMATION UNCERTAINTY

Impairment of trade accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due.

Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and the allowance applied according to the inventory type and the degree of ageing or obsolescence, based on expected selling prices.