



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

**INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
As at 31 MARCH 2010
(UNAUDITED)**

Ernst & Young

 **ERNST & YOUNG**

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

**INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
As at 31 MARCH 2010
(UNAUDITED)**

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

Scope of Review

We have reviewed the interim consolidated balance sheet of YANBU CEMENT COMPANY (the Company) (a Saudi Joint Stock Company) and its subsidiary as at 31 March 2010 and the related interim consolidated statements of income, cash flows and changes in shareholders' equity for the period from 1 January 2010 to 31 March 2010 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 principally 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 financial statements for them to be in conformity with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young



Ahmed I. Reda
Certified Public Accountant
Licence No. 356

25 Rabi Thani 1431H
10 April 2010

Jeddah

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

INTERIM CONSOLIDATED BALANCE SHEET

As at 31 March 2010

(Unaudited)

	Note	2010 SR	2009 SR
ASSETS			
CURRENT ASSETS			
Cash and bank balances		111,886,174	89,717,069
Investment placement and Investments in trading fund		-	82,625,760
Accounts receivable and other assets		161,505,148	147,064,880
Inventories, net		<u>281,538,692</u>	<u>263,639,320</u>
TOTAL CURRENT ASSETS		<u>554,930,014</u>	<u>583,047,029</u>
NON-CURRENT ASSETS			
Property and equipment, net		2,552,676,299	1,726,971,232
Deferred charges, net		<u>111,041</u>	<u>333,161</u>
TOTAL NON-CURRENT ASSETS		<u>2,552,787,340</u>	<u>1,727,304,393</u>
TOTAL ASSETS		<u>3,107,717,354</u>	<u>2,310,351,422</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Bank facilities - current portion		3,926,085	4,659,504
Bank overdraft		1,699,283	2,632,901
Trade Accounts payable		106,484,824	1,757,178
Dividends payable		64,684,047	62,361,357
Zakat provision		13,718,905	20,281,403
Accrued expenses and other liabilities		<u>113,792,122</u>	<u>73,223,237</u>
TOTAL CURRENT LIABILITIES		<u>304,305,266</u>	<u>164,915,580</u>
NON-CURRENT LIABILITIES			
Bank facilities		518,986,428	3,926,097
End of service benefits provision		<u>43,292,797</u>	<u>38,587,576</u>
TOTAL NON-CURRENT LIABILITIES		<u>562,279,225</u>	<u>42,513,673</u>
TOTAL LIABILITIES		<u>866,584,491</u>	<u>207,429,253</u>
SHAREHOLDERS' EQUITY			
Authorized and fully paid capital		1,050,000,000	1,050,000,000
Statutory reserve		525,000,000	525,000,000
General reserve	1	523,715,604	358,854,550
Retained earnings		<u>123,179,468</u>	<u>151,782,700</u>
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY		<u>2,221,895,072</u>	<u>2,085,637,250</u>
Minority interest		<u>19,237,791</u>	<u>17,284,919</u>
TOTAL SHAREHOLDERS' EQUITY		<u>2,241,132,863</u>	<u>2,102,922,169</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>3,107,717,354</u>	<u>2,310,351,422</u>

The attached notes 1 to 4 form part of these interim consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the Three Months Period Ended 31 March 2010

(Unaudited)

	For the three months period ended 31 March	
	2010 SR	2009 SR
Net sales	239,533,790	277,401,884
Cost of sales	(111,880,979)	(117,518,376)
GROSS INCOME	127,652,811	159,883,508
Selling and distribution expenses	(2,430,955)	(2,356,236)
General and administrative expenses	(3,423,781)	(3,300,999)
NET INCOME FROM MAIN OPERATION	121,798,075	154,226,273
Financial charges	(32,549)	(70,073)
Other income	4,730,543	2,309,304
NET INCOME BEFORE ZAKAT AND MINORITY INTEREST	126,496,069	156,465,504
Zakat	(2,450,000)	(4,072,000)
NET INCOME BEFORE MINORITY INTEREST	124,046,069	152,393,504
Minority interest	(866,601)	(610,804)
NET INCOME	123,179,468	151,782,700
EARNING PER SHARE FROM MAIN OPERATION	1.16	1.47
EARNING PER SHARE FROM NET OPERATING INCOME	1.17	1.45

The attached notes 1 to 4 form part of these interim consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the Period Ended 31 March 2010

(Unaudited)

	2010 SR	2009 SR
OPERATING ACTIVITIES		
Net income for the period before zakat	125,629,468	155,854,700
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	25,141,666	24,410,660
Amortization	55,530	55,530
Minority interest	866,601	610,804
Gain on disposal of property and equipment	(3,800)	(2,000)
End of service benefits provision, net	2,638,840	2,310,033
Change in assets and liabilities:		
Accounts receivable and other assets	(17,080,523)	(12,334,743)
Inventories	5,506,047	7,258,248
Accounts payable	64,216,003	(3,960,881)
Accrued expenses and other liabilities	(3,125,098)	(30,359,268)
Zakat paid	(264,358)	(288,419)
Net cash from operating activities	<u>203,580,376</u>	<u>143,554,664</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(473,418,924)	(78,221,056)
Proceeds on disposal of property and equipment	3,800	2,000
Net cash used in investing activities	<u>(473,415,124)</u>	<u>(78,219,056)</u>
FINANCING ACTIVITIES		
Bank facilities	400,986,428	-
Settlement of bank facilities	(1,164,879)	(1,164,879)
Bank overdraft	(3,003,056)	(1,355,972)
Dividends paid to shareholders	(307,613,723)	(408,906,427)
Board of directors' fees	(2,200,000)	(2,200,000)
Net cash used in financing activities	<u>87,004,770</u>	<u>(413,627,278)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(182,829,978)</u>	<u>(348,291,670)</u>
Cash and Cash Equivalents - beginning of the period	<u>294,716,152</u>	<u>520,634,499</u>
CASH AND CASH EQUIVALENTS - END OF THE PERIOD	<u>111,886,174</u>	<u>172,342,829</u>

The attached notes 1 to 4 form part of these interim consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Period Ended 31 March 2010

(Unaudited)

	2010 SR	2009 SR
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY		
AUTHORIZED AND FULLY PAID 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>
GENERAL RESERVE		
Balance at the beginning of the period	358,854,550	221,318,203
Transferred from retained earnings	<u>164,861,054</u>	<u>137,536,347</u>
Balance at the end of the period	<u>523,715,604</u>	<u>358,854,550</u>
RETAINED EARNINGS		
Balance at the beginning of the period	482,061,054	559,736,347
Net income for the period	123,179,468	151,782,700
Dividends	(315,000,000)	(420,000,000)
Transferred to general reserve	(164,861,054)	(137,536,347)
Board of directors fees	<u>(2,200,000)</u>	<u>(2,200,000)</u>
Balance at the end of the period	<u>123,179,468</u>	<u>151,782,700</u>
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY	<u>2,221,895,072</u>	<u>2,085,637,250</u>
MINORITY INTERESTS		
Balance at the beginning of the period	18,371,190	16,674,115
Minority share of net income for the period	<u>866,601</u>	<u>610,804</u>
Balance at the end of the period	<u>19,237,791</u>	<u>17,284,919</u>
TOTAL SHAREHOLDERS' EQUITY	<u>2,241,132,863</u>	<u>2,102,922,169</u>

The attached notes 1 to 4 form part of these interim financial statements.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2010

(Unaudited)

1 ACTIVITIES

Yanbu Cement Company (A Saudi Joint Stock Company) ("the parent company") incorporated under The Council of Ministers Resolution No. 1074 of 10/8/1394H based on Royal Decree No. M/10 of 24/3/1397H is registered in Yanbu, Saudi Arabia, under Commercial Registration No. 4700233 of 21/11/1398H per Ministry of Industry and Electricity Resolution No. 67/S of 17/3/1396H.

On 3 March 2010, the ordinary general meeting resolved to transfer the balance of the retained earnings for the year ended 31 December 2009, after dividend payments and board of directors' fees, to the general reserve.

The Company is engaged in the manufacturing of ordinary Portland cement, Resistant cement and Pozolanic cement.

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

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

2 BASIS OF PRESENTATION

The interim consolidated financial statements are prepared in accordance with the Saudi Arabian Organisation for Certified Public Accountants (SOCPA) standards of interim financial information. The accounting policies followed in preparing these interim financial statements are consistent with those policies mentioned in the annual financial statements.

The interim consolidated financial statements do not cover all the information and disclosures required for the full financial statements prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia. The information disclosed in these interim consolidated financial statements may not be an accurate indicator of the results of the full fiscal period ending 31 December 2010.

The significant accounting policies adopted are as follows:

Basis of consolidation

The interim consolidated financial statements comprise the financial statements of the parent company and its subsidiary, as explained in Note (1) after eliminating all inter-company transactions and balances.

Accounting convention

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

Revenue recognition

Sales are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the revenue can be reliably measured, being the value of the invoiced goods supplied during the period, net of trade and quality discounts.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2010

(Unaudited)

2 BASIS OF PRESENTATION (continued)

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 weighted average method. The cost of work-in-progress includes direct materials, direct labour and any related overheads. Slow moving and obsolete inventories are provided for and stated at net book value.

Property and equipment

Property and equipment are stated at cost net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Subsidiary's buildings and plant and equipment of paper manufacturing factory are depreciated using units of production method.

Deferred charges

Deferred charges are amortized over the estimated useful life of 5 years.

Zakat

As required by Saudi Arabian Zakat Regulations, Zakat is provided for and measured on accrual basis in accordance with Zakat Financial Accounting Standards. Zakat in these financial statements is calculated on deemed basis and separately charged to the interim consolidated statement of income. Zakat liability is calculated at the end of respective year.

End of service benefits

Provision is made for amounts payable under the Saudi Arabian Labour Law.

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.

Translation of foreign currencies

The accompanying interim consolidated financial statements are expressed in Saudi Riyals. Appropriate exchange rates are used to translate transactions or balances denominated in foreign currencies. The resulting gains or losses are included in the interim consolidated statement of income.

3 PROPERTY AND EQUIPMENT

Included in property and equipment is an amount of SR1,204,184,541 being the cost of fifth production line which still under progress.

4 COMMITMENT

The Board of directors, in their meeting of 30 July 2008, approved the fifth production line amounting to SR 1.7 billion.