

Yanbu Cement Company
(A Saudi Public Company)
CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2006

TOGETHER WITH
AUDITORS' REPORT

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
YANBU CEMENT COMPANY
(A Saudi Public Company)**

We have audited the accompanying consolidated balance sheet of **YANBU CEMENT COMPANY** (a Saudi public company) and its subsidiary as at 31 December 2006 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 14 which are an integral part of these financial statements. These financial statements are the responsibility of the Company's management in accordance with Article (123) of the Companies Regulations. Our responsibility is to express our opinion on these financial statements based on our audit and the information and explanations we obtained which we considered necessary for the purposes of our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above:

1. Present fairly, in all material respects, the financial position of Yanbu Cement Company and its subsidiary as at 31 December 2006 and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the Kingdom of Saudi Arabia.
2. Comply with the financial statement preparation and presentation requirements of the Commercial Code and the Company's by-laws.

**Sami E. Farah, Abdulhamid M. Bushnaq
& Partner**

**Sami Farah
Licence No. 168**

**23 January 2007
Jeddah, Kingdom of Saudi Arabia**

Yanbu Cement Company (A Saudi Public Company)

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	Note	2006 SR	2005 SR
ASSETS			
Non-current assets			
Projects under construction	5	55,583,625	277,573,676
Property and equipment, net	6	1,554,223,336	1,370,829,598
Deferred charges, net	7	2,693,419	3,879,535
		<u>1,612,500,380</u>	<u>1,652,282,809</u>
Current assets			
Accounts receivable and other assets	3	88,714,703	85,619,287
Materials and work-in-progress	4	102,729,574	67,077,403
Spare parts and other materials, net		116,499,332	109,556,029
Investments in investments funds		286,811,042	240,240,498
Cash and bank balances		42,766,728	88,580,028
		<u>637,521,379</u>	<u>591,073,245</u>
TOTAL ASSETS		<u>2,250,021,759</u>	<u>2,243,356,054</u>
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Authorized and fully paid capital	1&10	1,050,000,000	1,050,000,000
Statutory reserve	11	525,000,000	525,000,000
Retained earnings		509,765,281	367,264,060
		<u>2,084,765,281</u>	<u>1,942,264,060</u>
Minority interest		12,264,787	4,950,371
Total shareholders' equity		<u>2,097,030,068</u>	<u>1,947,214,431</u>
Non-current liabilities			
Bank facilities	8	13,978,520	111,708,614
End of service benefits		23,953,064	22,475,242
		<u>37,931,584</u>	<u>134,183,856</u>
Current liabilities			
Bank facilities - current portion	8	1,164,876	2,560,000
Accounts payable		5,626,848	50,558,454
Dividends payable		44,199,965	64,828,638
Zakat provision		12,895,646	11,865,587
Accrued expenses and other liabilities	9	51,172,772	32,145,088
		<u>115,060,107</u>	<u>161,957,767</u>
TOTAL LIABILITIES		<u>152,991,691</u>	<u>296,141,623</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		<u>2,250,021,759</u>	<u>2,243,356,054</u>
Contra accounts - membership guarantee shares		<u>110,000</u>	<u>110,000</u>

The attached notes 1 to 14 form part of these consolidated financial statements.

Yanbu Cement Company (A Saudi Public Company)

CONSOLIDATED STATEMENT OF INCOME

For the Year Ended 31 December 2006

	<i>Note</i>	2006 SR	2005 SR
Net sales		843,242,753	778,930,117
Cost of sales		<u>(317,328,994)</u>	<u>(302,616,987)</u>
GROSS INCOME		525,913,759	476,313,130
Selling and distribution expenses	12	(7,907,040)	(8,006,211)
General and administrative expenses	13	<u>(11,149,273)</u>	<u>(10,494,102)</u>
NET OPERATING INCOME		506,857,446	457,812,817
Financial charges		(1,399,043)	(460,077)
Other income		<u>9,947,936</u>	<u>8,592,373</u>
Net income before extra ordinary revenue, Zakat and minority interest		515,406,339	465,945,113
Insurance compensations	1	<u>8,660,610</u>	<u>-</u>
NET INCOME BEFORE ZAKAT AND MINORITY INTEREST		524,066,949	465,945,113
Zakat		<u>(11,551,312)</u>	<u>(12,379,864)</u>
NET INCOME BEFORE MINORITY INTEREST		512,515,637	453,565,249
Minority interest		<u>(314,416)</u>	<u>49,629</u>
NET INCOME		<u>512,201,221</u>	<u>453,614,878</u>
EARNING PER SHARE	1	<u>24.39</u>	<u>21.60</u>
DILUTED EARNING PER SHARE	1	<u>4.88</u>	<u>4.32</u>

The attached notes 1 to 14 form part of these consolidated financial statements.

Yanbu Cement Company (A Saudi Public Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2006

	2006 SR	2005 SR
OPERATING ACTIVITIES		
Net income for the year	512,201,221	453,614,878
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	94,287,242	89,181,728
Amortization	1,186,116	1,095,033
Minority interest	314,416	(49,629)
Gain on sale and disposal of property and equipment	(6,990)	(801,440)
Provision for slow moving items	7,693,200	4,756,315
Zakat provision	11,551,312	12,379,864
End of service benefits, net	1,477,822	2,945,752
Change in assets and liabilities:		
Accounts receivable and other assets	(3,095,416)	4,100,576
Materials and work-in-progress	(35,652,171)	(2,917,756)
Spare parts and other materials	(14,636,503)	(11,740,319)
Accounts payable	(44,931,606)	44,211,965
Accrued expenses and other liabilities	19,027,684	5,926,380
Zakat paid	(10,521,253)	(12,732,501)
Net cash provided by operating activities	<u>538,895,074</u>	<u>589,970,846</u>
INVESTING ACTIVITIES		
Minority interest's share in increase in capital of a subsidiary	7,000,000	-
Investments in investments funds	(46,570,544)	(240,240,498)
Purchase of property and equipment	(18,703,601)	(61,586,897)
Proceeds from sale and disposal of property and equipment	6,990	801,440
Payments for projects under construction	(36,987,328)	(204,070,535)
Company's share in increase in capital of a subsidiary	-	12,500,000
Deferred charges	-	(1,110,580)
Net cash used in investing activities	<u>(95,254,483)</u>	<u>(493,707,070)</u>
FINANCING ACTIVITIES		
Bank facilities	-	164,808,614
Settlement of bank facilities	(99,125,218)	(51,350,000)
Dividends to shareholders	(388,128,673)	(489,430,387)
Board of directors' reward	(2,200,000)	(2,200,000)
Net cash used in financing activities	<u>(489,453,891)</u>	<u>(378,171,773)</u>
NET DECREASE IN CASH AND BANK BALANCES	(45,813,300)	(281,907,997)
Cash and Bank Balances - beginning of the year	<u>88,580,028</u>	<u>370,488,025</u>
CASH AND BANK BALANCES - END OF THE YEAR	<u>42,766,728</u>	<u>88,580,028</u>
SUPPLEMENTARY INFORMATION FOR NON-CASH TRANSACTIONS		
Transfer of projects under-construction to property and equipment	<u>258,977,379</u>	<u>6,658,449</u>

The attached notes 1 to 14 form part of these consolidated financial statements.

Yanbu Cement Company (A Saudi Public Company)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year Ended 31 December 2006

Description	Shareholders' equity in the parent company				Minority interest SR	Total shareholders' equity SR
	Capital SR	Statutory reserve SR	Retained earnings SR	Total SR		
Balances as at 1 January 2005	1,050,000,000	525,000,000	440,849,182	2,015,849,182	-	2,015,849,182
Dividends distributed related to 2004	-	-	(420,000,000)	(420,000,000)	-	(420,000,000)
Balance	1,050,000,000	525,000,000	20,849,182	1,595,849,182	-	1,595,849,182
Net income for the year	-	-	453,614,878	453,614,878	-	453,614,878
Dividends distributed in advance related to 2005	-	-	(105,000,000)	(105,000,000)	-	(105,000,000)
Balance	1,050,000,000	525,000,000	369,464,060	1,944,464,060	-	1,944,464,060
Board of directors' reward	-	-	(2,200,000)	(2,200,000)	-	(2,200,000)
Minority interest's share in capital of a subsidiary	-	-	-	-	5,000,000	5,000,000
Minority interest's share of losses for the year	-	-	-	-	(49,629)	(49,629)
Balance as at 31 December 2005	1,050,000,000	525,000,000	367,264,060	1,942,264,060	4,950,371	1,947,214,431
Dividends distributed related to 2005	-	-	(315,000,000)	(315,000,000)	-	(315,000,000)
Balance	1,050,000,000	525,000,000	52,264,060	1,627,264,060	4,950,371	1,632,214,431
Net income for the year	-	-	512,201,221	512,201,221	-	512,201,221
Dividends distributed in advance related to 2006	-	-	(52,500,000)	(52,500,000)	-	(52,500,000)
Balance	1,050,000,000	525,000,000	511,965,281	2,086,965,281	4,950,371	2,091,915,652
Board of directors' reward	-	-	(2,200,000)	(2,200,000)	-	(2,200,000)
Minority interest's share in capital of a subsidiary	-	-	-	-	7,000,000	7,000,000
Minority interest's share of income for the year	-	-	-	-	314,416	314,416
Balance as at 31 December 2006	1,050,000,000	525,000,000	509,765,281	2,084,765,281	12,264,787	2,097,030,068

The attached notes 1 to 14 form part of these consolidated financial statements.

Yanbu Cement Company (A Saudi Public Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2006

1. ACTIVITIES

Yanbu Cement Company (a Saudi Public Company) was established according to the Royal Decree No. M/10 dated 24/3/1397H based on the Council of Ministers resolution no. 1074 dated 10/8/1394H, and registered in Yanbu City under Commercial Registration No. 4700233 dated 21/11/1398H according to the resolution of Ministry of Industry and Electricity No. 67/Y dated 17/3/1396H.

Based on the council of Ministers decree dated 27/2/1427H (corresponding to 27 March 2006) to reduce the par value of Saudi Joint Stock Company's shares to SR 10 by splitting the single share to 5 shares to all listed companies, the Company's number of shares were adjusted in compliance with the above mentioned Ministerial Decree from 21 million shares at SR 50 each to 105 million shares at SR 10 each after the split without referring to the company's general assembly. Accordingly, the earning per share and the diluted earning per share were disclosed in the consolidated statement of income.

During March 2006, a fire took place in one of the Company's production lines which caused stoppage of the line's production for three weeks to complete the required maintenance works. A technical team was comprised by the Company and the insurance company to estimate the losses that should be compensated by the insurance company. The consolidated financial statements includes insurance compensations related to stoppage of a product line and the final settlement was not received in this regard.

The Company is involved in manufacturing the ordinary Portland cement, resisting cement and pozzolanic cement.

The consolidated financial statements represent the accounts of the parent company, Yanbu Cement Company, which includes its two branches and its subsidiary as follows:

Branches:

Registration No.	Branch	City
4030021367	Branch of Yanbu Cement Co. - Head Office - Jeddah	Jeddah
4650020461	Branch of Yanbu Cement Co. - Al Madinah Branch	Al-Madinah

Subsidiary:

Company's Name	Country of Incorporation	Ownership percentage
Yanbu Al-Shuaiba Paper Products Company Ltd.	Kingdom of Saudi Arabia	60%

Yanbu Al-Shuaiba Paper Products Company Ltd. started its operations on 1 October 2005 (corresponding to 27/8/1426H).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the Kingdom of Saudi Arabia, and in accordance with the financial statements standard issued by the Saudi Organization for Certified Public Accountants. The Company's significant accounting policies followed in preparing these consolidated financial statements are in agreement with the policies mentioned in the financial statements for the year ended 31 December and are summarized as follows:

Basis of consolidation

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

Revenue recognition

Revenue is recognized when goods are delivered and invoiced to the customer.

Inventories - materials and work-in-progress

Inventories of materials and work-in-progress are stated at cost. Cost of materials is determined using the moving average method. The cost of work-in-progress is determined using the weighted average method.

Inventories - spare parts and other materials

Inventories of spare parts and other materials are stated at cost. Cost of spare parts is determined using the moving average method with providing the appropriate provision against the slow moving items.

Property and equipment

Property and equipment are stated at cost net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation in the subsidiary for the factory's buildings and the machinery and equipment is computed using the units of activity method.

Deferred charges

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

Zakat

According to the financial accounting standard for Zakat, Zakat provision for each separate fiscal period is measured and recorded in accordance with the provisions and rules of Zakat applied in the Kingdom of Saudi Arabia based on accrual basis. Such provision is charged to the consolidated statement of income.

End of service benefits

Benefits payable to the employees of the Company at the end of their services is provided for in accordance with the guidelines set by the Saudi Arabian Labor Law.

Selling, distribution, general and administrative expenses

Selling, distribution, general and administrative expenses are comprised of the direct and indirect costs that are not related to the cost of sales according to generally accepted accounting standards.

Yanbu Cement Company (A Saudi Public Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Translation of foreign currencies

The accompanying interim consolidated financial statements are 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 consolidated statement of income.

3. ACCOUNTS RECEIVABLE AND OTHER ASSETS

Accounts receivable and other assets are comprised of the following as at 31 December:

	<i>2006</i> <i>SR</i>	<i>2005</i> <i>SR</i>
Trade receivables (*)	78,516,868	76,620,660
Employees' receivables	4,494,088	4,140,926
Deposits and other receivables	2,959,425	2,207,705
Prepayments	1,723,085	1,628,759
Margins on letters of guarantee (Note 14)	900,000	900,000
Margins on letters of credit (Note 14)	121,237	121,237
	<u>88,714,703</u>	<u>85,619,287</u>

(*) Trade receivables are guaranteed by letters of guaranties and letters of credit.

4. INVENTORIES - MATERIALS AND WORK-IN-PROGRESS

Inventories of materials and work-in-progress are comprised of the following as at 31 December:

	<i>2006</i> <i>SR</i>	<i>2005</i> <i>SR</i>
Raw materials	24,421,078	31,422,073
Work-in-progress	61,394,575	24,805,022
Packaging materials	8,865,134	6,175,893
Letters of credit (Note 14)	4,177,188	-
Oil and fuel	3,259,283	3,727,204
Other materials	612,316	947,211
	<u>102,729,574</u>	<u>67,077,403</u>

5. PROJECTS UNDER CONSTRUCTION

Projects under construction represents amounts paid to purchase property and equipment, buildings construction and other constructions. Projects under construction are comprised of the following as at 31 December:

	<i>2006</i> <i>SR</i>	<i>2005</i> <i>SR</i>
Property, equipment, buildings and other constructions	40,989,940	263,634,719
Advances to suppliers and contractors	12,331,180	6,485,308
Financial charges	2,262,505	7,453,649
	<u>55,583,625</u>	<u>277,573,676</u>

Yanbu Cement Company (A Saudi Public Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2006

6. PROPERTY AND EQUIPMENT, NET

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Factory buildings	25 years
Paper factory production buildings	Units of activity
Buildings and other constructions	40 years
Sea port	20 years
Machinery and equipment	25 years
Paper factory machinery and equipment	Units of activity
Vehicles and trucks	4 - 6.67 years
Furniture and fixtures	4 - 6.67 years
Tools	5 - 6.67 years

Details of property and equipment as at 31 December are as follows:

Description	31 December 2006										
	Land SR	Factory Buildings SR	Paper factory production buildings SR	Buildings and other constructions SR	Sea port SR	Machinery and equipment SR	Paper factory machinery and equipment SR	Vehicles and trucks SR	Furniture and Fixtures SR	Tools SR	Total SR
Cost:											
Beginning of the year	4,805,116	669,625,778	20,361,860	31,625,395	16,740,608	2,130,517,329	21,304,728	38,038,929	15,974,847	2,703,747	2,951,698,337
additions	-	-	-	-	-	5,302,470	-	12,071,749	933,257	396,125	18,703,601
Transfers	-	-	-	74,810	-	258,902,569	-	-	-	-	258,977,379
Disposals	-	-	-	-	-	-	-	-	(720,650)	(163,450)	(884,100)
End of the year	4,805,116	669,625,778	20,361,860	31,700,205	16,740,608	2,394,722,368	21,304,728	50,110,678	16,187,454	2,936,422	3,228,495,217
Depreciation:											
Beginning of the year	-	401,786,404	125,713	14,546,611	16,740,608	1,103,205,291	131,536	30,909,262	11,372,942	2,050,372	1,580,868,739
Charge for the year	-	13,000,254	521,147	1,556,255	-	71,437,516	545,278	4,387,365	2,632,548	206,879	94,287,242
Disposals	-	-	-	-	-	-	-	-	(720,650)	(163,450)	(884,100)
End of the year	-	414,786,658	646,860	16,102,866	16,740,608	1,174,642,807	676,814	35,296,627	13,284,840	2,093,801	1,674,271,881
Net book value	4,805,116	254,839,120	19,715,000	15,597,339	-	1,220,079,561	20,627,914	14,814,051	2,902,614	842,621	1,554,223,336

Yanbu Cement Company (A Saudi Public Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2006

6. PROPERTY AND EQUIPMENT, NET (continued)

Description	31 December 2005										
	Land SR	Factory Buildings SR	Paper factory buildings SR	Buildings and other constructions SR	Sea port SR	Machinery and equipment SR	Paper factory machinery and equipment SR	Vehicles and trucks SR	Furniture and Fixtures SR	Tools SR	Total SR
Cost:											
Beginning of the year	4,805,116	669,625,778	-	24,908,706	16,740,608	2,117,720,044	-	35,237,880	16,135,644	2,252,391	2,887,426,167
additions	-	-	20,361,860	58,240	-	12,797,285	21,304,728	4,749,929	1,811,022	503,833	61,586,897
Transfers	-	-	-	6,658,449	-	-	-	-	-	-	6,658,449
Disposals	-	-	-	-	-	-	-	(1,948,880)	(1,971,819)	(52,477)	(3,973,176)
End of the year	4,805,116	669,625,778	20,361,860	31,625,395	16,740,608	2,130,517,329	21,304,728	38,038,929	15,974,847	2,703,747	2,951,698,337
Depreciation:											
Beginning of the year	-	388,635,944	-	13,432,540	16,740,608	1,034,932,218	-	29,479,866	10,466,663	1,972,348	1,495,660,187
Charge for the year	-	13,150,460	125,713	1,114,071	-	68,273,073	131,536	3,378,276	2,878,098	130,501	89,181,728
Disposals	-	-	-	-	-	-	-	(1,948,880)	(1,971,819)	(52,477)	(3,973,176)
End of the year	-	401,786,404	125,713	14,546,611	16,740,608	1,103,205,291	131,536	30,909,262	11,372,942	2,050,372	1,580,868,739
Net book value	4,805,116	267,839,374	20,236,147	17,078,784	-	1,027,312,038	21,173,192	7,129,667	4,601,905	653,375	1,370,829,598

Yanbu Cement Company (A Saudi Public Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2006

7. DEFERRED CHARGES, NET

Deferred charges are comprised of the following as at 31 December:

	<i>2006</i> <i>SR</i>	<i>2005</i> <i>SR</i>
Deferred charges	11,995,624	11,995,624
Less: Accumulated amortization	<u>(9,302,205)</u>	<u>(8,116,089)</u>
	<u>2,693,419</u>	<u>3,879,535</u>

8. BANK FACILITIES

a) Yanbu cement company

During 2005, the Company has obtained credit facilities from a local bank to finance upgrading the oven productivity and for adding a new Cement Mill for the fourth production line as follows:

SR

Payment certificates financing	65,900,000
Letters of credit	<u>152,800,000</u>
	<u>218,700,000</u>

As at 31 December 2005, the amounts utilized of these facilities are as follows:

SR

Payment certificates financing	15,360,000
Letters of credit	<u>66,255,860</u>
	81,615,860
Current portion	<u>(2,560,000)</u>
Non current portion	<u>79,055,860</u>

Bank facilities were totally paid during the year ended 31 December 2006.

b) Subsidiary company

During 2005, the Company has obtained credit facilities from a local bank to cover its obligations toward the subcontractor and all required local and foreign equipments by the guarantee of one of the partners (Yanbu Cement Company) as follows:

SR

Payment certificates financing	22,000,000
Overdraft	3,000,000
Letters of credit	20,000,000
Letters of guarantee	<u>5,000,000</u>
	<u>50,000,000</u>

Yanbu Cement Company (A Saudi Public Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2006

8. BANK FACILITIES (continued)

As at 31 December, the long-term amount utilized of these facilities are as follows:

	<i>2006</i> <i>SR</i>	<i>2005</i> <i>SR</i>
Payment certificates financing	15,143,396	18,638,024
Letters of credit	<u>-</u>	<u>14,014,730</u>
	15,143,396	32,652,754
Current portion	(1,164,876)	-
Non current portion	<u>13,978,520</u>	<u>32,652,754</u>

9. ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables are comprised of the following as at 31 December:

	<i>2006</i> <i>SR</i>	<i>2005</i> <i>SR</i>
Accrued expenses	35,498,777	19,727,127
Other credit balances	<u>15,673,995</u>	<u>12,417,961</u>
	<u>51,172,772</u>	<u>32,145,088</u>

10. CAPITAL

The Company's shares have been adjusted according to the Ministerial Decree (Note 1) from 21 million shares at SR 50 each to 105 million shares at SR 10 each after the split.

11. STATUTORY RESERVE

In accordance with Saudi Arabian Companies Law and the Company's Articles of Association, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 50% of the capital. No transfers were made to the statutory reserve as it reached 50% of the capital. This reserve is not available for dividend distribution for shareholders

12. SELLING AND MARKETING EXPENSES

Selling and marketing expenses are comprised of the following as at 31 December:

	<i>2006</i> <i>SR</i>	<i>2005</i> <i>SR</i>
Salaries, wages and other benefits	4,934,333	4,622,325
End of service benefits	449,617	666,945
Depreciation	536,671	529,753
Advertisement	726,841	511,100
GOSI	270,796	272,678
Subscriptions	69,358	64,945
Other	<u>919,424</u>	<u>1,338,465</u>
	<u>7,907,040</u>	<u>8,006,211</u>

Yanbu Cement Company (A Saudi Public Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2006

13. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following as at 31 December:

	<i>2006</i>	<i>2005</i>
	<i>SR</i>	<i>SR</i>
Salaries, wages and other benefits	8,006,967	7,925,016
End of service benefits	752,466	666,884
Repair and maintenance	88,657	154,594
GOSI	409,348	400,790
Depreciation	357,344	373,941
Amortization	222,120	55,529
Subscriptions	138,914	91,726
Rent	137,048	82,155
Other	<u>1,036,409</u>	<u>743,467</u>
	<u>11,149,273</u>	<u>10,494,102</u>

14. COMMITMENTS AND CONTINGENCIES

As at 31 December 2006, the commitments and contingencies for the Company represent in letters of guarantee amount of SR 10,945,517 on which a margin of SR 900,000 was paid (in 2005, amounting of SR 15,041,907 on which a margin of SR 900,000) and letters of credit amounted to SR 20,408,866 on which a margin of SR 4,298,425 was paid (in 2005 amounting of SR 37,770,088 on which a margin of SR 121,237 was paid).