

QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011
(Saudi Riyals)

23. SEGMENT REPORTS

As indicated in note (1) The company is engaged in the production of cement in different forms and there is no another activity other than that, the company operates its mainly activities in Buraidah city in the Kingdom of Saudi Arabia, moreover, the operation of the subsidiary represent in the production of ready-mixed concrete only. The subsidiary operates its mainly in Buraidah and Hail city in the Kingdom of Saudi Arabia.

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The company's financial instruments charged to the consolidated balance sheet include cash and cash equivalents, Murabaha, investments, other accounts receivables, related party transactions, suppliers and other payables.

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's cash and cash equivalents are placed with reputable local banks with good credit rating. Most of the company's sales are proceed in cash and most receivables are against enough guarantees so that they are stated in their estimated recoverable values, so that credit risk is limited.

Fair value

Fair value is the amount for which an asset can be exchange or liabilities can be settled, between knowledgeable and willing parties transacting at an "arms length". As the accompanying financial statements are prepared under the historical cost method, except for trading investments, differences may arise between the book values and the fair value. Management believes that the fair value of the Company's financial assets and liabilities are not materially different from their carrying values.

Interest rate risk

Is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company's interest rate risk arises mainly from bank murabaha deposits as the loans obtained by the company do not bear commission rates. All murabaha deposits are subject to re-pricing on regular basis. Management closely monitors the changes in interest rates and management believes that the interest rate risk to the Company is not significant.

Liquidity risk

Liquidity risk Is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

Liquidity risk is managed by monitoring on a regular basis to insure that sufficient funds are available to meet future commitments.

Currency risk

Currency risk is that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. The main transactions of the company are with Saudi Riyals. Currency risk is monitored on regular basis; consequently, the management believes that the company is not exposed to significant risk from the fluctuations of exchange rates.

25. COMPARATIVE FIGURES

Certain corresponding figures have been reclassified of the year ended on December 31, 2010 to conform to the current year presentation.



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19. EARNINGS PER SHARE

The earnings per share from the net profit for the year, other income and expenses, and main operations was calculated based on the weighted-average number of ordinary shares outstanding during the year amounting to 90 million shares (2010: 90 million shares).

20. THE CONSOLIDATION OF THE SUBSIDIARY

The accompanying consolidated financial statements includes the financial statements of the company and Cement Industries Co. Ltd. (a subsidiary) with a total investment of 99% (2010: 99%) after the elimination of intra-group balances and financial transactions between the company and its subsidiary. The following is the summary of the financial position and the results of operations of the subsidiary for the year ended December 31, 2011:

<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Sales</u>	<u>Gross Profit</u>	<u>Net losses</u>
63,546,600	64,879,215	44,704,033	3,341,877	(3,589,876)

The accumulated losses of the subsidiary as at 31 December 2011 amounted to SR 51.3 million (2010: SR 47.7 million) which exceed its capital, the subsidiary's partners have decided in their meeting No. 4/2011 held on 27 December 2011 to continue the subsidiary in its operation and provide financial support to cover its losses carried forward. The net losses for the year ended 31 December 2011 reached SR 3.6 million (2010: SR 16 million)

21. DIVIDENDS

The company has distributed a dividend of SR 247.5 million during the year in accordance to the dividend approved by the ordinary General Assembly held on 18 Rabi II 1432H (corresponding to March 23, 2011) for the income of second half of 2010 equivalent to SR 2.75 per share (2010:SR 270 million for the income of second half of 2009 equivalent to SR 3 per share).

The board of directors of the company during their meeting dated 18 Rajab 1432H (corresponding to June 20, 2011) has recommended an interim dividends SR 202.5 million. The shareholders in their general assembly meeting has approved an interim dividend amounting to SR 202.5 million for the income of the first half of 2011 equivalent to SR 2.25 per share (2010: SR 202.5 million for the income of first half of 2010).

Below the dividends during the year:

	<u>2011</u>	<u>2010</u>
Balance at beginning of the year	32,695,875	32,943,117
Dividends	450,000,000	472,500,000
Payments made during the year	(446,529,330)	(472,747,242)
Balance at end of the year	36,166,545	32,695,875

22. CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

The Capital Commitment amounted to SR 24.5 million out of total capital work amounted SR 40.6 million (2010:SR 10.5 million out of total capital work amounted SR 62.3 million) against the upgrading of the first and second production lines (note 10).

Contingent liabilities on the company amounts to SR 11 million (2010: SR 10 million) that comprise of uncovered bank guarantees issued by the company regarding custom sponsorship and supplier guarantees.

As indicated in note (20) the company has committed to provide financial support for the subsidiary to cover their retained losses.

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15. STATUTORY RESERVE:

In accordance with the Regulations of Companies in Saudi Arabia, the Company is required to transfer 10% of the annual net income to statutory reserve, the general assembly has its right to stop such transfer any amounts in case of exceeding 50% of the paid capital. This reserve is not available for distribution on shareholders and could be utilized to cover any losses generated by the company or to increase its capital after obtaining the approval of the shareholders' general assembly.

16. GENERAL RESERVE:

The shareholders have established a general reserve by appropriation from retained earnings as per the approval of the shareholders' general assembly. Board of directors' remunerations not attended by the board are transferred to the general reserve.

17. SELLING AND MARKETING EXPENSES:

	<u>2011</u>	<u>2010</u>
Salaries and other employees benefits	5,686,292	5,085,974
Advertising, publicity and public relations	330,295	198,174
Depreciation	252,038	220,129
Maintenance and fuel	209,571	237,125
Office equipments and printings	72,000	178,196
Communications	42,829	65,718
Service department costs*	2,705,932	--
Others	758,705	812,034
	<u>10,057,662</u>	<u>6,797,350</u>

* This item represents the of selling and marketing function share of the cost of the services departments

18. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2011</u>	<u>2010</u>
Salaries and other employees benefits	12,317,456	11,381,798
Depreciation	7,876,686	12,122,073
Administrative and financial consultations	1,418,586	2,732,221
Donations	931,457	1,024,318
Board of directors meetings allowance	480,536	428,659
Printing, advertisings and publications	423,528	152,706
Maintenance, fuel and electricity	205,894	201,546
Hospitality and public relations	204,820	704,786
Communications and postage	77,969	52,882
Service department costs*	2,568,884	--
Others	927,209	2,552,545
	<u>27,433,025</u>	<u>31,353,534</u>

* This item represents the of selling and marketing function share of the cost of the services departments



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12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>2011</u>	<u>2010</u>
Accrued quarries fees	24,379,791	24,705,057
Accrued electricity fees	4,805,460	3,849,056
Other accrued expenses	28,146,669	38,147,259
Advances from customers	6,721,166	6,103,121
Retentions	5,009,570	9,571,863
Others	90,508	107,425
	<u>69,153,164</u>	<u>82,483,781</u>

13. ZAKAT PROVISION

(a) The Company has obtained the Zakat final assessment from DZIT for all years until December 31, 2007. The company submitted its zakat returns up to 2010.

(b) The movement of the provision is as follows:

	<u>2011</u>	<u>2010</u>
Balance at the beginning of the year	20,752,889	20,931,919
Charged during the year	28,936,663	22,475,393
Payments made during the year	<u>(22,226,462)</u>	<u>(22,654,423)</u>
Balance at the end of the year	<u>27,463,090</u>	<u>20,752,889</u>

(c) Zakat were calculated for the company in accordance to its unconsolidated financial statements were prepared for this purpose. The components of Zakat base is as following:

	<u>2011</u>	<u>2010</u>
Shareholders equity	1,855,859,577	1,891,073
Adjusted income	a 517,598,881	46,32,3
Additions	71,149,557	0,410,40
Deductions	<u>(1,287,141,495)</u>	<u>(1,461,903,857)</u>
Zakat base	b 1,157,466,520	899,015,720
Zakat base, the higher of (a and b)	<u>1,157,466,520</u>	<u>899,015,720</u>
Zakat for the year	<u>28,936,663</u>	<u>22,475,393</u>

14. EMPLOYEES END OF SERVICE PROVISION:

	<u>2011</u>	<u>2010</u>
Balance at beginning of the year	20,269,662	18,919,644
Charge during the year	5,468,133	4,642,648
Payments made during the year	<u>(3,522,646)</u>	<u>(3,292,630)</u>
Balance at end of the year	<u>22,215,149</u>	<u>20,269,662</u>

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9. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED):

The useful life of the central mixers of the subsidiary which included in the Machinery and Equipments was re-estimated starting from January 2011 to become 10 years instead of 7 years, resulting in depreciation expense adjustment as follows:

Depreciation for the year before change of estimate	Depreciation for the year after change of estimate	The difference (the effect on net profit for the year)
1,285,412	927,013	358,399

Depreciation expense is allocated as follows:

	<u>2011</u>	<u>2010</u>
Cost of sales	78,731,727	76,113,335
General and administrative expenses * (note 18)	7,876,686	12,122,073
Selling and marketing expenses (note 17)	252,038	220,129
	<u>86,860,451</u>	<u>88,455,537</u>

*The item includes the depreciation of unutilized production capacity of the subsidiary's plant and equipments which amounted SR 7,480,362 (2010: SR 11,707,386)

10. CAPITAL WORK IN PROGRESS

	<u>2011</u>	<u>2010</u>
Balance at beginning of the year	22,953,521	69,464,660
Additions	11,291,463	7,502,963
Transferred to property, plant and equipment	(13,500,425)	(54,014,102)
	<u>20,744,559</u>	<u>22,953,521</u>

Capital work in progress represents mainly the upgrading work for some parts of the first and second production lines, and expected to be completed during the first quarter of year 2012.

11. DEFERRED EXPENSES, NET

	<u>2011</u>	<u>2010</u>
Balance at the beginning of the year	35,871,839	45,417,454
Amortization for the year	(3,597,277)	(9,545,615)
	<u>32,274,562</u>	<u>35,871,839</u>

Deferred charges represent mainly the cost of major overhauling the production lines and renovation expenses for the power station owned by Saudi Electricity Company that are used by the company in its operations.



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9. PROPERTY, PLANT AND EQUIPMENT, NET

	2011					2010	
	Land	Buildings	Machinery & Equipments	Motor vehicles	Furniture & Fixtures	Tools	Total
Cost:							
Balance at beginning of the year	20,024,200	701,252,742	1,453,712,872	37,841,083	18,947,928	7,207,419	2,238,986,244
Additions	--	1,353,841	31,069,776	--	3,018,770	348,783	35,791,170
Disposals	--	--	(4,217,933)	(6,536,138)	(80,079)	(88,150)	(10,922,300)
Balance at end of the year	20,024,200	702,606,583	1,480,564,715	31,304,945	21,886,619	7,468,052	2,263,855,114
Accumulated depreciation:							
Balance at beginning of the year	--	295,272,483	681,474,603	22,215,910	15,193,289	2,240,514	1,016,396,799
Charge for the year	--	20,864,874	59,477,205	4,388,841	1,635,544	493,987	86,860,451
Disposals	--	--	(3,416,599)	(6,023,735)	(54,565)	(88,146)	(9,583,045)
Balance at end of the year	--	316,137,357	737,535,209	20,581,016	16,774,268	2,646,355	1,093,674,205
Net book value at							
December 31, 2011	20,024,200	386,469,226	743,029,506	10,723,929	5,112,351	4,821,697	1,170,180,909
<i>December 31, 2010</i>	<i>20,024,200</i>	<i>405,980,259</i>	<i>772,238,269</i>	<i>15,625,173</i>	<i>3,754,639</i>	<i>4,966,905</i>	<i>1,222,589,445</i>

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7. PREPAYMENTS AND OTHER DEBIT BALANCES, NET:

	<u>2011</u>	<u>2010</u>
Prepayments	3,874,818	4,981,284
Other receivables	1,286,315	1,611,071
Advances to suppliers	1,122,762	2,166,531
Receivables from employees	1,096,215	808,530
Custom retentions	984,995	610,650
Accrued revenue	144,648	-
	<u>8,509,753</u>	<u>10,178,066</u>
Provision for debt balances	(599,106)	(599,106)
	<u>7,910,647</u>	<u>9,578,960</u>

8. INVENTORIES, NET

	<u>2011</u>	<u>2010</u>
Spare parts	143,815,998	144,419,498
Raw materials	34,101,229	36,765,984
Work in process	13,756,676	14,060,880
Finished goods	5,854,477	2,651,046
Packaging materials	5,286,408	6,166,956
Consumables	661,521	542,541
Goods in transit	2,942,374	696,487
	<u>206,418,683</u>	<u>205,303,392</u>
Provision of slow moving and obsolete inventory	(17,515,173)	(18,667,962)
	<u>188,903,510</u>	<u>186,635,430</u>



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3. Significant accounting policies (Continued):

p) Dividends

Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the year in which they are approved by the general assembly of shareholders.

q) Earnings per share:

Earnings per share is determined for operating income, other income and expenses, and net profit for the year in accordance to weighted average number of ordinary shares outstanding during the year. comparative figures to be amended by bonus shares

4. CASH AND CASH EQUIVALENTS:

	<u>2011</u>	<u>2010</u>
Cash in hand	6,500	2,300
Cash at banks	18,329,982	19,715,305
Murabha deposits	226,389,000	--
	<u>244,725,482</u>	<u>19,717,605</u>

5. TRADING INVESTMENTS:

	<u>2011</u>	<u>2010</u>
Fair value at beginning of the year	468,579,796	461,987,968
(Disposal) / Additional investments during the year (net)	(61,625,257)	2,282,968
	<u>406,954,539</u>	<u>464,270,936</u>
Unrealized gain	5,738,790	4,308,860
Fair value at the end of the year	<u>412,693,329</u>	<u>468,579,796</u>

The investments are held either under Balanced Islamic funds and Traded Finance funds with local banks.

6. ACCOUNTS RECEIVABLES, NET:

	<u>2011</u>	<u>2010</u>
Accounts receivables	46,430,418	51,048,168
Provision for doubtful debts	(320,000)	(320,000)
	<u>46,110,418</u>	<u>50,728,168</u>

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3. Significant accounting policies (Continued):

j) *Provision for Zakat*

The Company and its subsidiary are subject to Zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). The Zakat provision is accrued and charged to consolidated statement of income for the current year.

Any differences between the provision and the final assessment are recorded and recognized in the consolidated statement of income in the year of the final assessment date.

k) *Revenue recognition*

Revenue from sales is recognized upon delivery or shipment of products to customers, and is recorded net of returns, trade discounts and volume rebates. Other income is recorded when earned.

l) *Expenses*

Selling and marketing expenses are those arising from the Group's efforts underlying the marketing, selling and distribution functions. All other expenses, excluding operating expenses and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of sales and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

m) *Foreign currencies*

Transactions denominated in foreign currencies are translated to the functional currencies of the Company at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currencies of the Group at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognized in the consolidated statement of income currently.

n) *Provisions*

A provision is recognised in the financial statements when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation. The provision is recognised based on the estimated discounted expenditures to fulfil the obligations.

o) *Financial instruments*

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at balance sheet date.



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3. Significant accounting policies (Continued):

f) Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and impairment loss (if any). Cost includes expenditure that is directly attributable to the acquisition of the asset and other costs incurred in bringing them to their existing location and condition and to be available for use. Subsequent expenditure is capitalized only when the consequence future economic benefits increase the standard performance of the asset or its estimated useful life. All other expenditure is recognized in the income statement when incurred.

Depreciation is charged on a straight-line basis over the estimated useful lives of property, plant and equipment as follows:

	<u>years</u>
Buildings	10 - 33
Machinery & Equipments	8 - 20
Motor vehicles	4 - 8
Furniture, fixtures and office equipments	3 - 10
Tools	10 - 13

g) Impairment of assets

The book value of tangible and intangible assets are reviewed for impairment losses as at the balance sheet date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the estimated discounted cash flow. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

h) Deferred charges

Deferred charges recognized when it have the future economic benefits. Deferred charges are amortized using the straight-line method over 3 to 20 years in accordance to the expected useful life.

i) Provision of Employees end of service benefits

Employees end of service benefits, calculated in accordance with Saudi Arabia labour regulations on the basis of period spent in the service of the group, are accrued and charged to consolidated statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services are terminated at the balance sheet date.

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3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements:

a) *Basis of consolidation*

The accompanying consolidated financial statements include the financial statements of the company and its subsidiary set forth in Note (1) above which controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases and will not be included if the subsidiary was under restructuring.

The accompanying consolidated financial statements includes the financial statements of the subsidiary which prepared at the same year end date of the company and by relevant accounting policies applied.

For the purpose of preparing the consolidated financial statements, all intra-group balances and financial transactions resulting from transactions between the Company and the subsidiary are eliminated. Also, any unrealized gains or losses arising from intra-group transactions are eliminated on consolidation.

b) *Cash and cash equivalents*

Cash and cash equivalents represent cash in hand and at banks, and short term Murabha deposits with original maturities of three months or less, which are available to the Company without any restrictions.

c) *Trading Investments*

Investment in trade securities which are purchased for trading purposes are initially recorded at cost and then re-measured and stated in the balance sheet at fair value and included under current assets. Both of unrealized gain and losses resulted from changes in market value at Balance Sheet date and realized gain and losses on sale of trade securities are credited or charged to income statement. If the fair value of such investments is not determined, then the securities will be valued by cost.

d) *Accounts receivables*

Accounts receivable are stated at estimated net realisable value less allowances for doubtful amounts. Allowance for doubtful accounts is calculated based on aging of account receivables and the Company previous experience in collecting receivables. Bad debts are written off when incurred.

e) *Inventories*

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other direct costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion (if any) and selling expenses expected to be incurred to sell the inventory.

Provision is made for slow moving and obsolete inventory.



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1. Organization and activity:

Qassim Cement Company is a Saudi Joint Stock company (the Company) registered in Buraidah, Kingdom of Saudi Arabia under Commercial Registration No 1131001224 dated Shaban 28, 1398H (corresponding to August 2, 1978G). The company was established by the Royal Decree No. M/62 dated Shaban 15, 1396H (corresponding to August 11, 1976G). The principal activities of the company are to manufacture and sale of cement and its related products and other related direct activities.

The company's registered office and factory are located in Buraidah, Qassim.

Share capital is SR 900 million divided into 90 million shares, of SR 10 each.

The accompanying consolidated financial statements include the activities of the company and its subsidiary (collectively referred to as the Group) of Cement industries limited Company, a limited liability company (the subsidiary) registered in Buraidah under commercial registration no. 1131024146 dated Rajab 22, 1428H (corresponding to August 6, 2007). The principal activities of the subsidiary are the production, wholesale and retail trading in ready mix concrete, gravel, block, tiles and cement products. The ownership percentages of the partners are as following:

The partners	share percentage
Qassim Cement Company	99%
Mr. Abdullah bin Abdullatif Al Seif (Company's chairman)	1%

2. Basis of preparation:

a) *Statement of compliance*

The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA). The consolidated financial statements were authorized for issue by the Board of Directors on 21 Rabia 1433 corresponding to 13 February 2012. The company's fiscal year starts at 1st January and ends at 31 December in accordance to the company's articles of association.

b) *Basis of measurement*

The consolidated financial statements have been prepared on historical cost basis (except for trading investments which are stated at their fair values), using the accrual basis of accounting and the going concern concept.

c) *Functional and presentation currency*

These consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional currency.

d) *Use of estimates and judgements*

The preparation of consolidated financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although the estimates and assumptions are based on events and information available to the management, Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
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Notes	Capital	Statutory Reserve	General Reserve	Retained Earnings	Total shareholders equity	Minority interest	Total Equity
Balance at January 1, 2010	900,000,000	85,200,428	376,016,157	467,980,168	1,829,196,753	(1,088,550)	1,828,108,203
Net income for the year	--	--	--	500,559,824	500,559,824	--	500,559,824
Transferred to statutory reserve	--	50,055,982	--	(50,055,982)	--	--	--
Dividends	--	--	--	(472,500,000)	(472,500,000)	--	(472,500,000)
Board of directors remuneration	--	--	--	(1,400,000)	(1,400,000)	--	(1,400,000)
Share of minority interests in the net loss of the subsidiary	--	--	--	--	--	(161,805)	(161,805)
Balance at December 31, 2010	900,000,000	135,256,410	376,016,157	444,584,010	1,855,856,577	(1,250,355)	1,854,606,222
Net income for the year	--	--	--	552,900,137	552,900,137	--	552,900,137
Transferred to statutory reserve	--	55,290,014	--	(55,290,014)	--	--	--
Dividends	--	--	--	(450,000,000)	(450,000,000)	--	(450,000,000)
Board of directors remuneration	--	--	--	(1,800,000)	(1,800,000)	--	(1,800,000)
Share of minority interests in the net loss of the subsidiary	--	--	--	--	--	(35,899)	(35,899)
Balance at December 31, 2011	900,000,000	190,546,424	376,016,157	490,394,133	1,956,956,714	(1,286,254)	1,955,670,460

The accompanying notes (1) through (25) form an integral part of these consolidated financial statements



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CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2011
(Saudi Riyals)

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
<u>Cash flows from operating activities:</u>			
Net income for the year		552,900,137	500,559,824
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	(9)	86,860,451	88,455,537
Amortization of deferred expenses	(11)	3,597,277	9,545,615
Loss/ (gain) from sale of property, plant and equipments		(1,742,634)	1,050,506
Unrealized gain of trading investments	(5)	(5,738,790)	(4,308,860)
Provision for slow moving and obsolete inventory items		--	630,381
Zakat provision	(13)	28,936,663	22,475,393
Employees' end of service benefits provision	(14)	5,468,133	4,642,648
Share of minority interests in the net loss of the subsidiary		(35,899)	(161,805)
		670,245,338	622,889,239
Changes in operating assets and liabilities:			
Accounts receivables		4,617,750	(4,725,534)
Trading investments	(5)	61,625,257	(2,282,968)
Prepayments and other debit balances		1,668,313	(1,795,852)
Inventories		(7,954,727)	6,340,708
Accounts payables		678,673	562,635
Accrued expenses and other credit balances		(13,330,617)	(49,827,325)
Employees' end of service benefits paid	(14)	(3,522,646)	(3,292,630)
Zakat paid	(13)	(22,226,462)	(22,654,423)
Net cash provided by operating activities		691,800,879	545,213,850
Cash flows from investing activities:			
Murabha term deposits		--	157,000,000
Purchase of property, plant and equipments		(16,044,607)	(17,517,494)
Capital work in progress	(10)	(11,291,463)	(7,502,963)
Proceeds from sale of property, plant and equipments		8,872,398	576,000
Net cash (used in) / provided by investing activities		(18,463,672)	132,555,543
Cash flows from financing activities:			
long term loans		--	(199,500,000)
Dividends paid	(21)	(446,529,330)	(472,747,242)
Board of directors remuneration paid		(1,800,000)	(1,400,000)
Net cash used in financing activities		(448,329,330)	(673,647,242)
Net change in cash and cash equivalents		225,007,877	4,122,151
Cash and cash equivalents at the beginning of the year		19,717,605	15,595,454
Cash and cash equivalents at the end of the year		244,725,482	19,717,605

The significant none-cash transactions during the year are as following:

	Property, plant and equipments	Inventory (spare parts)	Capital work in progress
Transferred from capital work in progress	13,500,425	--	(13,500,425)
Transferred from property, plant, and equipments	(559,491)	559,491	--
Transferred from Inventory	6,246,148	(6,246,148)	--

The accompanying notes (1) through (25) form an integral part of these consolidated financial statements

QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
CONSOLIDATED STATEMENT OF INCOME
December 31, 2011
(Saudi Riyals)

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
Sales		1,034,779,299	968,425,969
Cost of sales		(425,531,332)	(411,665,562)
Gross profit		609,247,967	556,760,407
Selling and marketing expenses	(17)	(10,057,662)	(6,797,350)
General and administrative expenses	(18)	(27,433,025)	(31,353,534)
Net income from main operations		571,757,280	518,609,523
Unrealized gain from trading investment		5,738,790	4,308,860
Other income (expenses) (net)		4,304,831	(44,971)
Other income (net)		10,043,621	4,263,889
Net income for the year before Zakat and minority interests		581,800,901	522,873,412
Zakat expense	(13)	(28,936,663)	(22,475,393)
Net income before minority interest		552,864,238	500,398,019
Share of minority interests in the net loss of the subsidiary		35,899	161,805
Net income for the year		552,900,137	500,559,824
Earnings per share from main operations	(19)	6.35	5.76
Earnings per share from other income	(19)	0.11	0.05
Earnings per share from net income for the year	(19)	6.14	5.56

The accompanying notes (1) through (25) form an integral part of these consolidated financial statements.



QASSIM CEMENT COMPANY
(Saudi Joint Stock Co.)
CONSOLIDATED BALANCE SHEET
December 31, 2011
(Saudi Riyals)

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	(4)	244,725,482	19,717,605
Trading investments	(5)	412,693,329	468,579,796
Accounts receivables, net	(6)	46,110,418	50,728,168
Prepayments and other debit balances, net	(7)	7,910,647	9,578,960
Inventories, net	(8)	188,903,510	186,635,430
Assets available for sale		--	6,350,000
Total current assets		900,343,386	741,589,959
Non-current assets:			
Property, plant and equipments, net	(9)	1,170,180,909	1,222,589,445
Capital work in progress	(10)	20,744,559	22,953,521
Deferred expenses, net	(11)	32,274,562	35,871,839
Total non-current assets		1,223,200,030	1,281,414,805
Total assets		2,123,543,416	2,023,004,764
<u>LIABILITIES AND EQUITY</u>			
Current liabilities:			
Trade payables		12,875,008	12,196,335
Accrued expenses and other credit balances	(12)	69,153,164	82,483,781
Dividends	(21)	36,166,545	32,695,875
Zakat Provision	(13)	27,463,090	20,752,889
Total current liabilities		145,657,807	148,128,880
Non-current liabilities:			
Employees' end of service benefits	(14)	22,215,149	20,269,662
Total non-current liabilities		22,215,149	20,269,662
Total liabilities		167,872,956	168,398,542
<u>EQUITY</u>			
Shareholders equity:			
Capital	(1)	900,000,000	900,000,000
Statutory reserve	(15)	190,546,424	135,256,410
General reserve	(16)	376,016,157	376,016,157
Retained earnings		490,394,133	444,584,010
Total Shareholders equity		1,956,956,714	1,855,856,577
Minority interests		(1,286,254)	(1,250,355)
Total equity		1,955,670,460	1,854,606,222
Total liabilities and equity		2,123,543,416	2,023,004,764

The accompanying notes (1) through (25) form an integral part of these consolidated financial statements.

***Opinion***

In our opinion, the consolidated financial statements taken as a whole:

- 1) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2011, and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group; and
- 2) comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of financial statements.

For KPMG Al Fozan & Al Sadhan

Tareq A. Al Sadhan
License no. 352

Date: 29 Rabia I 1433H
Corresponding to: 21 February 2012

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INDEPENDENT AUDITORS' REPORT**The Shareholders****Qassim Cement Company- joint stock company**

Qassim, Saudi Arabia

We have audited the accompanying consolidated financial statements of **Qassim Cement Company – joint stock company** (“the Company”) and its subsidiary (collectively referred as “the Group”) which comprise the consolidated balance sheet as at 31 December 2011 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 25 which form an integral part of the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia in compliance with Article 123 of the Regulations for Companies and the Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these consolidated financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



CONSOLIDATED FINANCIAL STATEMENTS
as at December 31.2011
with
INDEPENDENT AUDITOR'S REPORT

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