Najran Cement Company Main Prospectus

The Offering of 85,000,000 eighty-five million shares representing 50% of Najran Cement Company (following subscription) through an Initial Public Offering at an Offer Price of SAR 10 per share

A closed joint stock company incorporated pursuant to Ministerial Resolution No. 1484 dated 28/8/1426H (corresponding to 02/10/2005G) with Commercial Registration No. 5950010479dated 5/9/1426H (corresponding to 8/1/2005G)

Offer Period: 24/5/1433H to 1/6/1433H (corresponding to 16/4/2012G to 22/4/2012G)

Najran Cement Company (the "NCC" or the "Company") is a Saudi joint stock company incorporated pursuant to Ministerial Resolution No. 1484 dated 28/8/1426H (corresponding to 02/10/2005G) with an initial capital of SAR 1,150,000,000 (one billion one hundred fifty million Saudi Riyals) divided into 115,000,000 (one hundred fifteen million) ordinary shares ("Shares") with a nominal value of SAR 10 (ten Saudi Riyals) each, and formed pursuant to Ministry of Commerce and Industry Commercial Registration No. 5950010479 dated 05/09/1426H (corresponding to 08/10/2005G) and Industrial License No. 1693/I dated 28/11/1425H (corresponding to 7/1/2005G) and amended under Numbers 1949/I dated 21/7/1428H (corresponding to 4/8/2007G) and 5482/S dated 25/07/1432H (corresponding to 26/6/2011G). On 25/12/1432H (corresponding to 21/11/2011G) the Extraordinary General Assembly adopted a resolution providing for an increase of SAR 550,000,000 (five hundred fifty million Saudi Riyals) of the Company's share capital from SAR 1,150,000,000 (one billion one hundred fifty million Saudi Riyals) to SAR 1,700,000,000 (one billion seven hundred million Saudi Riyals). The partial increase was carried out by issuing 6,900,000 (six million nine hundred thousand) shares with a nominal value of SAR 69,000,000 (sixty-nine million Saudi Riyals) to the current shareholders collectively referred to as ("Founding Shareholders") through capitalizing the Company's statutory reserves. Subsequently, the current Shareholders (whose names appear in Section 3.2 "Shareholding Structure") subscribed to a total of 121,900,000 (one hundred twenty-one million nine hundred thousand) ordinary Shares with a total and fully paid up value of SAR 1,219,000,000 (one billion two hundred nineteen million Saudi Riyals). As for the remaining 48,100,000 (forty-eight million one hundred thousand) Shares valued at SAR 481,000,000 (four hundred eighty-one million Saudi Riyals) representing 28.29% of the Company's share capital, these Shares will be offered to the public through an initial public offering (the "Offering"). Therese shares were issued through an Extraordinary General Assembly held on 25/12/1432H (21/11/2011G). The current Shareholders have agreed to sell 36,900,000 (thirty-six million nine hundred thousand) Shares to the public which represents 21.71% of the Company's share capital, through individual consent letters signed by each Shareholder. The new 48,100,000 (forty-eight million one hundred thousand) shares will be offered alongside the 36,900,000 (thirty-six million nine hundred thousand) Shares which will be sold by the current shareholders to the public through the Offering representing 50% of the share capital of the Company after the capital increase. Following the Offering, the paid up capital of the Company shall be SAR 1,700,000,000 (one billion seven hundred million Saudi Riyals) consisting of 170,000,000 (one hundred seventy million) ordinary shares with a nominal value of SAR 10 (ten Saudi Riyals) each.

The Offering is of 85,000,000 (eighty-five million) shares (collectively the "Offer Shares", and each the "Offer Share") each with a nominal value of SAR 10 (ten Saudi Riyals) and at an offer price of SAR 10 (ten Saudi Riyals) per share (the "Offer Price"), and representing 50% of the share capital of NCC after the Offering. The Offering is directed at and is limited to Saudi Arabian natural persons, including divorced or widowed Saudi females with children by non-Saudi husbands, who can subscribe on behalf of her children to the benefit of her account (collectively the "Investors" and each an "Investor"). A subscription made by an ex-husband of a Saudi female divorcee is considered null and if it was proven to be as such, the law will be practiced against such an applicant.

The Offering is mandatory under the terms of the Raw Materials Quarry Licence (the "Quarry Licence") 35K dated 11/6/1426H (corresponding to 17/7/2005G) issued by the Ministry of Petroleum and Mineral Resources ("MPMR"). The proceeds from the Offering are expected to be SAR 825,500,000 (eight hundred twenty-five million five hundred thousand Saudi Riyals) of which (i) SAR 467,135,882 (four hundred sixty-seven million one hundred thirty-five thousand eight hundred and eighty-two Saudi Riyals) will be paid to the Company and will be used to finance the expansion of the Company's cement plant at Sultana, Najran Province, and (ii) SAR 358,364,118 (three hundred fifty-eight million three hundred sixty-four thousand one hundred and eighteen Saudi Riyals) will be paid to the Selling Shareholders proportionate to the number of Offer Shares sold by each Selling Shareholder. (For further information on the use of proceeds, refer to the "Use of Proceeds" Section 12 of the Prospectus.) The Offering is fully underwritten (refer to the "Underwriters" Section 16 of the Prospectus). Upon completion of the Offering, the Selling Shareholders will continue to own 85,000,000 (eighty-five million) Shares, which will represent 50% of the share capital of the Company.

The Offering will commence on 25/5/1433H (corresponding to 16/4/2012G) and shall continue for a period of seven (7) days including the closing day of the Offering which is 1/6/1433H (corresponding to 22/4/2012G) (the "Offering Period"). Subscription for the Offer Shares can be made through branches of the selling agents (the "Selling Agents") listed on page vi during the Offering Period (refer to the "How to Apply" section).

Each Investor who subscribes to the Offer Shares (each a "Subscriber" and collectively the "Subscribers") must apply for a minimum of fifty (50) Offer Shares. The maximum number of Offer Shares that may be applied for is two hundred thousand (200,000). The balance of the Offer Shares (if any) will be allocated on a pro-rata basis. In the event that the number of Subscribers exceeds one million seven hundred thousand (1,700,000), the Company will not guarantee the minimum allocation of Offer Shares per Subscriber, and the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds the number of Offer Shares, the allocation shall be in accordance with the assessment of the CMA. Excess subscription monies, if any, will be refunded to the Subscribers without any charge or withholding by the Selling Agents. Notification of the final allotment and refund of subscription monies, if any, will be made by 8/6/1433H (corresponding to 29/4/2012G). (Refer to Section 17, "Subscription Terms and Instructions").

The Company has only one class of Shares, which does not carry any preferential voting rights. Each Share entitles the holder to one vote, and each shareholder (a "Shareholder") with at least twenty (20) Shares has the right to attend and vote at general assembly meetings (the "General Assembly Meeting"). The Offer Shares will entitle holders to receive dividends declared by the Company after completion of the Offering Period and subsequent fiscal years (refer to the "Dividend Record and Policy" section).

Prior to the Offering, there has been no public market for the Shares in Saudi Arabia or elsewhere. An application has been made to the CMA for the admission of the Shares to the Official List, all supporting documents required by the CMA have been supplied, and all relevant approvals pertaining to this IPO have been granted. Trading in the Offer Shares is expected to commence on the Saudi Stock Exchange (the "Exchange"), or Tadawul, soon after the final allocation of the Offer Shares (Refer to "Key Dates for Investors" section). Following admission of the Shares to the Official List, Saudi nationals as well as non-Saudi individuals having an Iqama (resident permit) in the KSA, foreign investors through swap agreements, Gulf Cooperation Council member country nationals, companies, banks and funds, will be permitted to trade in the Shares.

The "Important Notice" and "Risk Factors" sections of this Prospectus should be considered carefully prior to making a decision to invest in the Offer Shares.

Financial Advisor,

Lead Manager and Underwriter

السعودي الفرنسي كابيتال
Saudi Fransi Capital

Selling Agents

This Prospectus includes information given in compliance with the Listing Rules of the CMA. The Directors, whose names appear on page (iii), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA and the Saudi Arabian Stock Exchange take no responsibility for the contents of this document, do not make any representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

This Prospectus is dated 13/5/1433H (corresponding to 7/4/2012G)

English Translation of the Official Arabic Prospectus.

Important Notice

This Prospectus provides full details of information relating to the Najran Cement Company and the Offer Shares. When applying for the Offer Shares, Subscribers will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Selling Agents or by visiting the websites of the Company (*www.cementnajran.com*), the CMA (*www.cma.org.sa*), or the website of the Lead Manager (*www.fransicapital.com.sa*).

Saudi Fransi Capital ("**SFC**") has been appointed by the Company to act as Financial Advisor ("**Financial Advisor**"). SFC has also been appointed as the Lead Manager ("**Lead Manager**") and Underwriter ("**Underwriter**") in relation to the Offer Shares described herein.

This Prospectus includes information given in compliance with the Listing Rules issued by the Capital Market Authority ("**CMA**"). The Directors, whose names appear on page iv of this Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Whilst the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the market and industry information herein are derived from external sources, and whilst none of the Company or its advisors, whose names appear on pages v and vi of this Prospectus (the "**Advisors**"), have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been verified by the Company, and no representation is made by the Company with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments in inflation, interest rates, taxation, or other economic, political and other factors, over which the Company has no control (*refer to Section 2 "Risk Factors"*). Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offering is intended to be, nor should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of the Company, the Directors, the Selling Shareholders or the Advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and must rely on its own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs, including the merits and risks involved in investing in the Offering. An investment in the Offer Shares may be appropriate for some investors and not others and prospective investors should not rely on another party's decision to invest or not to invest as a basis for their own examination of the investment opportunity and such investor's individual circumstances.

The Offering is directed at and is limited to Saudi Arabian natural persons (each an "**Authorized Investor**"), including a divorced or widowed Saudi female with children from a non-Saudi husband, who can subscribe on behalf of her children to the benefit of her account. A subscription made by an ex-husband of a Saudi female divorcee is considered null. The distribution of this Prospectus and the sale of Offer Shares to any persons or in any jurisdiction other than Saudi Arabia are expressly prohibited. The Company, the current Shareholders and the Financial Advisor require recipients of this Prospectus to inform themselves about and to observe all such restrictions.

Industry and Market Data

In this Prospectus, information and data concerning the economy of Saudi Arabia and the cement industry has been extracted from the "Cement Market Study" prepared by Ernst & Young ("**E&Y**"). E&Y is an independent consulting firm in Bahrain since 1928G which offers highly specialized services in the areas of taxation, advisory, assurance and transactions. It has a diversified client portfolio and provides services to the public and private sectors alike. The feasibility study of Line III ("**Line III Feasibility Study**") prepared by Holtec Private Consulting Ltd. ("**Holtec**") which is a company established in India in 1967 and is one of the leading consulting firms which specializes in the cement field, energy, roads, and infrastructures of cement factories. Holtec has international experience in more than eighty-three (83) countries. Holtec maintains strong relationships with many research laboratories, companies specialized in providing technology services and firms that produce market study reports.

Neither E&Y nor any of its affiliates, shareholders, directors or their relatives hold any shareholding or any interest in the Company. E&Y has given and not withdrawn its written consent as of the date of this Prospectus to the use of information extracted or derived from its "Cement Market Study" in the manner and format set out in the Prospectus.

Neither Holtec nor any of its affiliates, shareholders, directors or their relatives hold any shareholding or any interest in the Company. Holtec has given and not withdrawn its written consent as of the date of this Prospectus to the use of information extracted or derived from the Holtec Feasibility Report in the manner and format set out in the Prospectus.

Financial and Statistical Information

The audited financial statements as at and for the years ended 31 December 2011, 2010, 2009 and 2008 together with the notes thereto, each of which are incorporated elsewhere in the Prospectus, have been prepared in conformity with Saudi Organization for Certified Public Accountants ("**SOCPA**") Generally Accepted Accounting Principles. The Company publishes its financial statements in Saudi Arabian Riyals.

Where statistical information has been sourced for publication in this Prospectus, the Company believes that the information represents the latest information available from the relevant particular source.

Forecasts and Forward Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute "forward-looking-statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "intends", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "would be" or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (including, but not limited to, Sections 2 "Risk Factors" and 3 "The Company"). Should any one or more of the risks or uncertainties materialise or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Pursuant to the requirements of the Listing Rules, the Company must publish a supplementary Prospectus if at any time after the Prospectus has been approved by the CMA and before Admission, it becomes aware that: (i) there has been a significant change in material matters contained in the Prospectus or any document required by the Listing Rules; or (ii) additional significant matters have become known that would have been required to be included in the Prospectus. With the exception of these two events, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Definitions of Technical Terms

For an explanation of certain defined terms and certain technical terms relating to the cement industry, see Section 1 "Definitions and Abbreviations".

Corporate Directory

The Members of the Board of Directors

No.	Name	Title	Representing	Executive/non-executive and Independent/ Non-independent	% of Direct shareholding	% of indirect shareholding
1.	Mohammed Manaa Sultan Aballala	Chairman of the Board		Non-executive	7.205%	0.041%
2.	Daifullah Bin Omar Al Ghamdi	Vice Chairman	Mr. Majid Bin Ibrahim Bin Abdulaziz Al Ibrahim Mr. Walid Bin Ibrahim Bin Abdulaziz Al Ibrahim	Non-executive	0.001%	None
3.	Abdul Wahab Saud Al Babtain	Member	Abdul Latif Saud Al Babtain Company	Non-executive	0.001%	1.587%
4.	Abdullah Bin Salim Bin Wasimer Al Wasimer	Member		Non-executive/ Independent	2.017%	None
5.	Omar Bin Ali Babtain	Member	Saudi Trading and Contracting Est.	Non-executive/ Independent	None	1.523%
6.	Fahd Abdullah Al Rajhi	Member	Abdullah Bin Abdulaziz Bin Saleh Al Rajhi	Non-executive	0.001%	None
7.	Bader Abdul Mohsin Al Mohaisen	Member	Abdul Mohsin Al Mohaisen & Sons Holding Company	Non-executive/ Independent	0.001%	0.870%

Registered Office

Najran Cement Company
P.O. Box 1006
Najran, Athaiybah, King Abdulaziz Road
Kingdom of Saudi Arabia
Tel: +966 (7) 5237811, Fax: +966 (7) 5237822
Website: www.cementnajran.com

Company Representative

Mr. Mohammad Bin Mane Aballala
Chairman of the Board of Directors
Najran Cement Company
P.O Box 93692, Riyadh 11683, Kingdom of Saudi Arabia
Tel: +966 (01) 465 6840, Fax: +966 (01) 279 0864
Email: m_aballala@hotmail.com

Secretary of the Board of Directors

Eng. Ayman Al-Shibl
Najran Cement Company
P.O Box 93692, Riyadh 11683, Kingdom of Saudi Arabia
Tel: +966 (01) 465 6840, Fax: +966 (01) 279 0864
Email : ayman.alshibl@cementnajran.com

Shareholder Relation Officer

Emam Hamad
Najran Cement Company
P.O. Box 1006, Najran, Kingdom Saudi Arabia
Tel: +966 (07) 529 9990, Ext. 501
Fax: +966 (07) 529 9991
E-mail: e.hamad@cementnajran.com

Share Registrar

Abraj Attuwenya
King Fahad Road
P.O. Box 60612, Riyadh 11555, Saudi Arabia
Tel: +966 (01) 218 9999
Email: webinfo@tadawul.com.sa
Website: www.tadawul.com.sa

Financial Advisor and Lead Manager

Saudi Fransi Capital
P.O. Box 23454
Riyadh 11426
Kingdom of Saudi Arabia
Tel: +966 (01) 282 6666
Fax: +966 (01) 282 6823
Website: www.fransicapital.com.sa

Legal Advisor to the Company

Legal Advisors, in association with Baker & McKenzie
Olayan Complex, Tower II, 3rd Floor
Al Ahsa Street, Malaz
P.O. Box 4288, Riyadh 11491
Kingdom of Saudi Arabia
Tel: +966 (01) 291 5561
Fax: + 966 (01) 291 5571
Website: www.bakermackenzie.com

Auditor

BDO Dr. Mohamed Al Amri & Co.
Accountants & Consultants
P.O Box 784, Jeddah 21421
Kingdom of Saudi Arabia
Tel: +966 (02) 639 4477
Fax : +966 (02) 639 4058
Email: info@alamri.com

Financial Due Diligence Advisor

KPMG Al Fozan & Al Sadhan
P.O. Box 55078, Jeddah 21534 or
P.O. Box 92876, Riyadh 11663
Kingdom of Saudi Arabia
Website: www.kpmg.com.sa

Market Research Consultant

Ernst & Young
14th Floor, The Tower, Bahrain Complex
P.O. Box 140, Manama
Kingdom of Bahrain
Website: www.ey.com

Technical Consultant

Holtec Consulting Private Limited
Sushant Lok
Guragaon
India

Offer Underwriter

Saudi Fransi Capital Limited
P.O. Box 23454
Riyadh 11426
Kingdom of Saudi Arabia
Tel: +966 (01) 282 6666
Fax: +966 (01) 282 6823
Website: www.fransicapital.com.sa

Media & Advertising Consultant

ADVERT ONE
Al Shawaf International Company
Al Sulaimaniyah
P.O. Box 43307, Riyadh 11561
Saudi Arabia
Tel.: +966 (01) 288 6632
Fax: +966 (01) 288 6631
Email: info@advert1.com

Note:

The above advisors have given and have not withdrawn their written consent to the publication of their names and logos in the same format and manner as stated in the Prospectus, and do not themselves, or any of their relatives or affiliates or employees, have any shareholding or interest of any kind in the Company as of the date of this Prospectus.

Selling Agents

Banque Saudi Fransi
P.O. Box 56006, Riyadh 11554
Kingdom of Saudi Arabia
Tel: +966 (01) 404 2222
Fax: +966 (01) 404 2311
www.alfransi.com.sa

Al Rajhi Banking and Investment Corporation
Olaya Road
P.O. Box 28, Riyadh 11411
Kingdom of Saudi Arabia
Tel: +966 (01) 462 9922
Fax: +966 (01) 462 4311
www.alrajhi-capital.com

Arab National Bank
King Faisal Street
P.O. Box 9802, Riyadh 11423
Kingdom of Saudi Arabia
Tel: +966 (01) 402 9000
Fax: +966 (010 402 7747
www.anb.com.sa

The National Commercial Bank
King Abdulaziz Road
P.O. Box 3555, Jeddah 21481
Kingdom of Saudi Arabia
Tel: +966 (02) 649 3333
Fax: +966 (02) 643 7426
www.alahli.com.sa

Riyad Bank
King Abdulaziz Road
P.O. Box 22622, Riyadh 11614
Kingdom of Saudi Arabia
Tel: +966 (01) 401 3030
Fax: +966 (01) 404 2618
www.riyadbank.com

Samba Financial Group
King Abdulaziz Road
P.O. Box 833, Riyadh 11421
Kingdom of Saudi Arabia
Tel: +966 (01) 477 4770
Fax: +966 (01) 479 9402
www.samba.com.sa

The Saudi British Bank (SABB)
P.O. Box 9084, Riyadh 11413
Kingdom of Saudi Arabia
Tel: +966 (01) 405 0677
Fax: +966 (01) 405 0660
www.sabb.com

Company Commercial Banks

البنك السعودي الفرنسي Banque Saudi Fransi	**Banque Saudi Fransi** P.O. Box 56006 Riyadh 11554 Kingdom of Saudi Arabia Tel: +966 (01) 404 2222 Fax: +966 (01) 404 2311 Website: www.alfransi.com.sa

Summary of the Offering

The Company	Najran Cement Company, a Saudi joint stock company incorporated pursuant to Ministerial Resolution No. 1484 dated 28/8/1426H (corresponding to 02/10/2005G) with Commercial Registration No. 5950010479 dated 5/9/1426H (corresponding to 8/1/2005G).
Company’s Activities	• Production of Portland cement, regular and resistant, as per the Ministerial Industrial Decision number (1693) dated 28/11/1425H (corresponding to 8/1/2005G). • Wholesale and retail commerce of the Company’s products and construction materials. • The establishment or co-establishment of industrial services companies for the purpose of conducting maintenance and services to plants within or outside the Kingdom. • Managing and operating Portland cement (regular and resistant or other) plants. • The acquisition of lands, real estate and patents, and benefit from its use in achieving its industrial objectives within and outside of the Kingdom. • Commercial representation.
Current Share Capital of Company	SAR 1,700,000,000 , of which SAR 1,219,000,000 is fully paid up.
Share Capital of the Company after Completion of Offering	SAR 1,700,000,000 fully paid up.
Total Number of Issued Shares	170,000,000 Shares.
The Offering	85,000,000 Shares, representing 50% of the share capital of the Company after completion of the Offering, comprising 48,100,000 new shares and 36,900,000 shares sold by the existing shareholders.
Number of issued Shares pre-Offering	121,900,000 ordinary Shares.
Number of Offer Shares	85,000,000 Shares, representing 50% the share capital of the Company after completion of the Offering.
Percentage of Offer Shares from the Share Capital	The Offer Shares represent 50% the share capital of the Company after completion of the Offering.
Offer Price	SAR 10 per Offer Share.
Nominal Value	SAR 10 per Offer Share.
Number of Shares Underwritten	85,000,000 Shares.
Total Value of Offer Shares	SAR 850,000,000.
Amount underwritten	SAR 850,000,000.
Minimum Number of Offer Shares to be applied for by an Investor	Fifty (50) Offer Shares.
Value of minimum number of Offer Shares to be applied for by an Investor	SAR 500.
Maximum Number of Offer Shares to be applied for by an Investor	200,000 Offer Shares.
Value of maximum number of Offer Shares to be applied for by an Investor	SAR 2,000,000.

Authorized Investors	The Offering is directed at and is limited to Saudi Arabian natural persons; including a divorced or widowed Saudi female with children from a non-Saudi husband who can subscribe on behalf of her children to the benefit of her account. A subscription made by an ex-husband of a Saudi female divorcee is considered null.
Subscription Method for Investors	Subscription applications will be available during the Offering Period at all Banque Saudi Fransi ("BSF") and Selling Agents branches. Subscription applications should be completed in accordance to the instructions set out in the "Subscription Terms and Conditions" section of this Prospectus. Authorized Investors who have subscribed to previous initial offerings are able to subscribe through the internet, phone or ATM of any of the Selling Agents branches that offer such services to their customers.
Offering Period	The Offer will commence on 24/5/1433H (corresponding to 16/4/2012G) and will remain open for a period of seven (7) days up to and including 1/6/1433H (corresponding to 22/4/2012G).
Use of Proceeds	The proceeds from the Offering are expected to be SAR 825,500,000, after the deduction of the costs of the Offering which amount to SAR 24,500,000 of which (i) SAR 467,135,882 will be paid to the Company and will be used to finance the expansion of the Company's cement plant at Sultana, Najran Province, and (ii) SAR 358,364,118 will be paid to the Selling Shareholders proportionate to the number of Offer Shares sold by each Selling Shareholder. (For further information on the use of proceeds, refer to the "Use of Proceeds" section of the Prospectus.)
Allocation of Offer Shares	Allocation of Offer Shares is expected to be completed on or around 8/6/1433 (corresponding to 29/4/2012G). The minimum allocation per subscriber is fifty (50) Offer Shares and the balance of the Offer Shares allocated to the Investors (if available) will be allocated on a pro rata basis. In the event that the number of Investors exceeds 1,700,000 or if the Offering is to be amended, the Company will not guarantee the minimum allocation of fifty (50) Offer Shares per subscriber, and the Offer Shares will be allocated equally between all Investors.
Excess of Subscription Monies	Excess subscription monies, if any, will be refunded to Subscribers without any charge or withholding by the relevant Selling Agent. Notification of the final allotment and refund of subscription monies, if any, will be made by 8/6/1433 (corresponding to 29/4/2012G). No fractional allocations will be made and any Offer Shares remaining in respect of the aggregation of fractional allocations shall be allocated by the Lead Manager among Authorized Investors at its discretion and with the approval of the CMA. (Refer to the "Subscription Terms and Instructions – Allocation and Refunds" section of the Prospectus).
Dividends	The Offer Shares will entitle the holders to receive dividends declared and paid by the Company, commencing from the end of the Offering Period of the fiscal year 2012, and for subsequent fiscal years. Before any distribution of dividends in the future, it must be ensured that the Company does not breach any of the obligations arising from the facility agreements entered into with BSF and the Saudi Industrial Development Fund. (Refer to the section 10- "Dividend Record and Policy" of the Prospectus).
Voting Rights	The Company has only one class of Shares, which does not carry any preferential voting rights. Each Share entitles the holder to one vote, and each Shareholder with at least twenty (20) Shares has the right to attend and vote at the General Assembly Meeting. A Shareholder may authorize another Shareholder (who is not a Board member) to attend the General Assembly Meeting on his behalf. (Refer to Section 13 "Description of the Shares" of the Prospectus).
Lock-in Period	The Selling Shareholders may not dispose of any Shares for the period of six (6) months from the date on which trading of the Offer Shares commences on the Exchange. After the six (6) months when the share restriction period has elapsed, the Selling Shareholders may only dispose of their Shares after obtaining CMA approval.

Registering and Trading of Shares	Prior to the Offering, there has been no public market for the Shares in the KSA or elsewhere. An application has been made to the CMA for the Admission of the Shares to the Official List; all relevant approvals pertaining to this Prospectus, all other supporting documents requested by the CMA, and all relevant regulatory approvals required to conduct the Offering have been granted. Trading is expected to commence on the Exchange soon after the final allocation of the Shares and fulfillment of all related requirements. (Refer to the "Key Dates for Subscribers" section of the Prospectus)
Risk Factors	There are certain risks relating to an investment in this Offering. These risks can be generally categorized into (i) Risks related to the Company's Operations and Prospects; (ii) Risks related to the KSA Market; (iii) Risks Related to the Offer Shares; (iv) Political, Economic and Regulatory Risks; and (v) Greenfield Project Risk from the third production line. These risks should be considered carefully prior to making an investment decision in the Offer Shares (Refer to the "Risk Factors" section of the Prospectus).
Costs	The Company and the Selling Shareholders will be responsible for all costs associated with the Offering which are estimated to be approximately SAR 24,500,000. This figure includes the fees of the financial advisors, legal advisors (to the Company and the Financial Advisor), reporting accountants and the media and public relations consultants, as well as the Underwriters' fees, Selling Agent expenses, marketing expenses, printing and distribution expenses and other related expenses. The Selling Shareholders shall be responsible for costs pro-rata to the number of shares sold by them while the Company shall be responsible for costs of the new shares issued.

Key Dates for Investors

Expected Offering Timetable

Offering Period	24/5/1433H to 1/6/1433H (corresponding to 16/4/2012G to 22/4/2012G)
Deadline for submission of Subscription Application Forms and subscription monies	1/6/1433H (corresponding to22/4/2010G)
Notification of final allotment & Refund of any subscription funds (in the event of over-subscription)	8/6/1433H (corresponding to 29/4/2012G)
Expected date of commencement of trading in the Offer Shares	After fulfilling all related requirements and regulatory procedures

The above timetable shows indicative dates. Actual dates will be conveyed through announcements appearing in national daily newspapers, the CMA website (www.cma.gov.sa) and the Tadawul website (www.tadawul.com.sa).

How to Apply

The Offering is directed at and is limited to Saudi Arabian natural persons ("**Authorized Investors**"); including a divorced or widowed Saudi female with children from a non-Saudi husband who can subscribe on behalf of her children to the benefit of her account. A subscription made by an ex-husband of a Saudi female divorcee is considered null and if it was proven as such, the law will be practiced against such applicant.

Subscription application forms will be available during the Offering Period from Selling Agents branches and on their websites. The subscription will be open through the internet, telephone and automated teller machines "**ATMs**" at the branches of the Selling Agents that provide some or all of these channels, provided that the Authorized Investor has already subscribed to recent offerings and has an account with the Selling Agent providing these services and provided that there was no change in his private information or data since the last offering.

Subscription Application Forms must be completed in accordance with the instructions described herein (*see the "Subscription Terms and Instructions" section of the Prospectus*).

Each Subscriber must agree to the terms and conditions and complete all relevant sections of the Subscription Application Form. The Company reserves the right to decline any Subscription Application Form, in part or in whole, in the event any of the subscription terms and conditions are not met or the instructions are not duly and punctually followed. Amendments to and withdrawal of the Subscription Application Form shall not be permitted once the Subscription Application Form has been submitted. Furthermore, the Subscription Application Form shall, upon submission, represent a legally binding agreement between the Subscriber and the Company. (*See the "Subscription Terms and Instructions" section of the Prospectus*).

Summary of Key Information

This summary of key information is intended to give an overview and a summary of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and recipients of this Prospectus are advised to read the entire Prospectus in full and any decision to invest in the Offer Shares by prospective investors should be based on a consideration of this Prospectus as a whole.

Your attention is drawn to the Important Notice on pages i and ii and the Industry and Market Data section (Section 6) which contain a summary of the sources of the information used in this Summary of Key Information section.

The Company

The Company was established pursuant to Ministerial Resolution No. 1484 dated 28/8/1426H (corresponding to 2/10/2005G) as a closed joint stock company and under commercial registration number 5950010479 and Industrial License number 1693/I dated 28/11/1425H (corresponding to 7/1/2005G) and amended under Numbers 1949/I dated 21/7/1428H (corresponding to 4/8/2007G) and 5482/S dated 25/07/1432H (corresponding to 26/6/2011G). The main activity of the Company is the production of the Ordinary Portland Cement and Sulphate Resistant Cement, which it sells predominantly in the Southern Region (in particular in the province of Asir and Jizan city) and the cities of Taif, Jeddah and Makkah in the Western Region. The Company's activities also include wholesale and retail commerce of the Company's products and construction materials, the establishment or co-establishment of industrial services companies for the purpose of conducting maintenance and services to plants, managing and operating Ordinary Portland cement plants, the acquisition of lands, real-estate and patents and benefit from its use in achieving its industrial objectives.

The Company's share capital at incorporation was SAR 1,150,000,000 (one billion one hundred fifty million Saudi Riyals) divided into 115,000,000 ordinary Shares with a nominal value of SAR 10 (ten Saudi Riyals) each. On 25/12/1432H (corresponding to 21/11/2011G) the Extraordinary General Assembly adopted a resolution providing for an increase of SAR 550,000,000 (five hundred fifty million Saudi Riyals) of the Company's share capital from SAR 1,150,000,000 (one billion one hundred fifty million Saudi Riyals) to SAR 1,700,000,000 (one billion seven hundred million Saudi Riyals). The partial increase was carried out by issuing 6,900,000 (six million nine hundred thousand) shares with a nominal value of SAR 69,000,000 (sixty-nine million Saudi Riyals) to the current shareholders through capitalizing the Company's statutory reserves. Subsequently, the current Shareholders (whose names appear in Section 3.2 "Shareholding Structure") subscribed to a total of 121,900,000 (one hundred twenty-one million nine hundred thousand) ordinary Shares with a total and fully paid up value of SAR 1,219,000,000 (one billion two hundred nineteen million Saudi Riyals). As for the remaining 48,100,000 (forty-eight million one hundred thousand) Shares valued at SAR 481,000,000 (four hundred eighty-one million Saudi Riyals) representing 28.29% of the Company's share capital, these Shares will be offered to the public through the Offering. The current Shareholders have agreed to sell 36,900,000 (thirty-six million nine hundred thousand) Shares to the public which represents 21.71% of the Company's share capital. The new 48,100,000 (forty-eight million one hundred thousand) shares will be offered alongside the 36,900,000 (thirty-six million nine hundred thousand) Shares which will be sold by the current shareholders to the public through the Offering representing 50% of the share capital of the Company after the increase. Following the Offering, the paid up capital of the Company shall be SAR 1,700,000,000 (one billion seven hundred million Saudi Riyals) consisting of 170,000,000 (one hundred seventy million) ordinary shares with a nominal value of SAR 10 (ten Saudi Riyals) each.

The following table shows the stages of changes in the capital of the Company until after the Offering:

	Prior to Capitalization of Statutory Reserves (as at 30 September 2011)	Post Capitalization of Statutory Reserves (as at 31 December 2011)	As at 31 December 2011 (pro forma Post IPO)
Paid Up Capital	1,150,000	1,219,000*	1,700,000
Statutory Reserves	69,173	669	669
Retained Earnings	75,148	3,460	3,460
Total Equity	**1,294,321**	**1,223,128**	**1,704,128**
Short Term Debt	70,000	140,000	140,000
Long Term Debt	400,370	553,500	553,500
Total Debt	**470,370**	**693,500**	**693,500**
Total Capital	**1,764,691**	**1,916,628**	**2,397,628**

All amounts in SAR 000's

** Further to the approval from the Company's EGM dated 21 November 2011, the Company's Statutory Reserves of SAR 69,000,000 were capitalized. This increased the Company's paid up capital to SAR 1,219,000,000*

Shareholding

The following table represents the shareholders holding 5% or more of shares in the Company.

	Name of Shareholder	Number of Shares	% Direct Shareholding	% Indirect Shareholding
1	Majid Bin Ibrahm Bin Abdulaziz Al Ibrahim	31,798,940	26.086%	-
2	Abdullah Bin Abdulaziz Bin Saleh Al Rajhi	15,898,940	13.043%	-
3	Mohammad Bin Manaa Bin Sultan Aballala	8,783,176	7.205%	0.041%
4	Abdul Latif Saud Al Babtain and Brothers Trading and Contracting Company	7,736,940	6.347%	-
5	SKAB Group Company	7,420,000	6.087%	-
6	Prince Mishal Bin Saud Bin Abdulaziz Al Saud	7,420,000	6.087%	-
	TOTAL	**79,057,996**	**64.855%**	

Source: Najran Cement Company

Mission, Strategy, and Manufacturing Operations

Mission

The Company's mission is to enhance the position of the Company in the immediate markets by reliably providing high quality products, and to adhere to effective commercial practices in a way that maximizes economic benefits for all relevant parties while capitalizing on high demand in promising markets.

Strategy

The Company intends to exhaust its available capacities in neighbouring market segments. The surplus will be applied to the untapped potential of distant markets through a robust mechanism of logistics[1], without compromising on the quality and utility of service to the ultimate customer.

1 The Company has confirmed that at present a proposal to operate and maintain its own transportation fleet is being deliberated. For this purpose Ernst & Young Riyadh were engaged to prepare a preliminary feasibility report.

Manufacturing Operations

NCC's operations in the main plant ("**Main Plant**") consist of clinkerisation and mining of the raw materials required for the cement industry. The plant is located at Sultana, about 240 km northeast of Najran, and consists of two lines for clinkerisation and cement production.

The first line ("**Line I**") has a production capacity of 6,000 TPD of clinker and a cement grinding capacity of 6,400 TPD. Commissioning of that line began in October 2007 and the first line was taken over from the Main Contractor in January 2009. The taking over of Line I by the Company was delayed as the Company had to wait for the completion of all of the civil works, steel structural works, equipment erection and commissioning works and submission of the performance test certificate by the Main Contractor. The second production line ("**Line II**") has a production capacity of 3,000 TPD of clinker. Commissioning of that line began in July 2008. The commissioning period lasted around four (4) months and a further two (2) months were required for completing the performance tests before Line II was taken over from the Main Contractor in January 2009.

In addition, the Grinding Unit was constructed with a capacity of 5,800 TPD of cement. This unit, located at Aakfah, 70 kilometers to the west of Najran, started trial production in April 2009 and was taken over by the Company in May 2009 from the Main Contractor.

The Company currently has a total rated clinker production capacity of 9,000 TPD, and a total rated cement grinding capacity of 12,200 TPD. This additional grinding capacity allows the Company to produce cement from excess clinker stocks to meet any surges in cement demand. In addition to this, the Company intends to construct a third line ("**Line III**") with a capacity of 6,000 TPD of clinker and a grinding capacity of 8,000 TPD, at the Main Plant site in Sultana, to meet the high demand for cement. Construction of Line III has started on January 7, 2012, and is expected to begin operation of trial production at the end of the second quarter of 2013. Commercial production is expected to start at the beginning of the fourth quarter of 2013. This will increase the Company's total capacity of clinker to 15,000 TPD and cement grinding to 20,200 TPD.

The Company has also commissioned for the engineering, procurement and construction of a waste heat recovery plant ("**WHR Plant**") for Lines I, II and III each which will enable the Company to recover and re-use 22-24% of the heat discharged during the heating process involved in clinkerization (*for more details please section 12.3 of the Prospectus*).

The estimated budget for 2010 indicated that the full production capacity of the Main Plant was 2.88 million tons of clinker (the two production lines), based on 320 days of operations (allowing for approximately 45 days of maintenance and planned stoppages).

Commercial production in 2010 was 2.36 million tons of clinker over an average of 260 days of commercial production (approximately 60 days were lost due to the shutdown of the production lines due to an electrical malfunction which resulted in unexpected technical difficulties. The Company hired experts from ABB Contracting Company Ltd.[2] Contracting Company Ltd. to correct the problem which was resolved permanently), equalling a budgeted capacity utilization of approximately 82.0%. The Company expected a higher budgeted capacity utilization in 2011. The planned budgeted capacity utilization of the Main Plant in 2011 was 2.62 million tons while the commercial production was 2.39 million tons (as 60 days were lost due to the shutdown of the production lines due to lack of fuel. To solve this problem the Company is currently using the surplus fuel resulting from interruptions of maintenance of Line I to operate Line II, equalling a budgeted capacity utilization of approximately 84.0%. It is planned that the designed production capacity of the third line will be two million tons of cement per year.

The Main Plant is strategically located close to the Najran-Riyadh highway approximately 300 kilometres from the Yemeni border, while the Grinding Unit is located approximately 45 kilometers from the Yemeni border, and is also close to current and potential customers in the Asir area.

2 A world leading company in energy technology that enables factories to improve their utilities wile minimizing any environmental impact

Competitive Advantages

The Company believes that it has the following competitive advantages:

- Strategic location
- Availability of large raw materials reserves within close proximity of the Main Plant
- High quality inputs and products
- Modern facilities
- Competitive cost of production
- A qualified and experienced management team
- Qualified and experienced technical operators

Please see the "Competitive Advantages" section of this Prospectus for more information on the Company's competitive advantages.

Overview of the Market

Cement consumption in Saudi Arabia has grown from 16.9 MTPA in 1999 to 48.5 MTPA in 2011. Saudi Arabia is the largest construction market in the Middle East with surplus liquidity from the inflow of petrodollars invested in real estate.

In the past, building construction has been a major driver for cement consumption, accounting for nearly 90% of all cement sales in Saudi Arabia. Out of this 90%, 60% is for the residential segment, making it the most important target market, and 30% is for the commercial and institutional segments. Infrastructure spending has had a relatively smaller (10%) share of cement sales in the past, but has been driving the growth in demand for cement in the recent past. This is expected to continue, as the Government, supported by bumper oil revenues, has also announced several so-called "mega projects".

As at the date of this document, there are sixteen (16) cement companies operating in Saudi Arabia. The following table summarizes the current capacity of the existing plants in Saudi Arabia and the additional capacity expected to be added in the years to 2014.

Saudi Cement Companies

Cement Company	Existing Capacity (MTPA)	Additional Capacity expected (MTPA)	Expansion of Existing Facility/New Plant	Expected year of addition
Saudi Cement	7.68	-	Doesn't exist	
Eastern Cement	3.2	-	Doesn't exist	
Yamama Cement	6.08	-	Doesn't exist	
Qassim Cement	3.52	-	Doesn't exist	
Riyadh Cement	3.84	-	Doesn't exist	
City Cement	1.92	-	Doesn't exist	
Yanbu Cement	4.00	2.5	Expansion	2012
Arabian Cement	3.84	-	Doesn't exist	
Tabuk Cement	1.28	-	Doesn't exist	
Southern Cement	6.08	1.6	Expansion	2012
Najran Cement	2.88	2	Expansion	2014
NRCC	1.92	0.96	Expansion	2013
Jouf Cement	1.60	-	Doesn't exist	
AlSafwa	0.44	1.00	New Plant	2012
Hail Cement		1.60	New Plant	2013
Al Baha Cement		1.60	New Plant	2014
Total	**48.98**	**11.26**		

Source: E&Y Cement Market Study

Key Target Markets for NCC

NCC aims to meet the growing demand of cement in the Kingdom, with particular emphasis on the Southern Region, and the cities of Taif, Jeddah and Makkah in the Western Region. The Company intends to meet the additional demand of cement in the region through the expansion of its existing facilities (*for further information on Company's plans for expansion, refer to Section 13.2 of the Prospectus*)

The Southern Region of Saudi Arabia

The Southern Region consists of the cities of Jizan, Asir, Bahah and Najran. Cement consumption in 2011 for the Southern Region was estimated at 7.58 MTPA, approximately 15.6% of national consumption.

Commercial construction is seeing an unprecedented boom in the cities of the Southern Region. This includes office and residential projects, tourism-related projects, commercial clusters and shopping malls. Apart from these, a number of large projects have also been launched in the region. The biggest of these would be the Jizan Economic City, launched in November 2006[3], which during the course of its construction is estimated to consume over 6 MT of cement over six (6) years. Overall, cement consumption in the Southern Region increased from 4.7 MTPA in 2009 to 7.58 MTPA by 2011, which represents an increase of 61.28%.

The regional cement market is presently dominated by Southern Cement and NCC, the only two cement plants in the region. Southern Cement intends to expand the capacity of its plant by 1.6 MTPA in 2012. NCC also plans to add a third production line to its Main Plant near Sultana, Najran Province, increasing capacity by 2.08 MTPA of cement. This would take total production capacity in the region to 10.56 MTPA in 2012.

The estimated size of each province's cement consumption in 2011 is given below.

Southern Region Cement Consumption Breakdown in 2011

Province	MTPA
Jizan	2.00
Asir	3.42
Bahah	0.98
Najran	1.18
Total	**7.58**

Source: E&Y Cement Market Study

Najran Province, with a population of over 500,000 in 2011, will be a major market for the Company's products. Construction of several vital projects serving Najran Province is planned for the coming three (3) years. In recent years, construction activities have increased due to the number of projects being implemented by the Government.

Some important projects that are underway or proposed in Najran Province include:

- Water and Wastewater Treatment Project: Total cost of the project is SAR 400,000,000. The aim of the project is to supply water to Najran and Sharourah area. The project has already begun. (Source: Ministry of Water and Electricity)
- Najran University: Several projects are underway and tenders for more projects are going to be announced soon. It may take two (2) years to complete all the projects. (Source: Ministry of Higher Education)
- Expansion of Najran airport: Work on the new airport has already begun. Furthermore, some renovation works of old terminal are still on-going. (Source: General Authority of Civil Aviation)
- Housing and infrastructure projects: The construction of 1,062 planned residential units has already begun and will take a year to complete.(Source: Ministry of Housing)
- Schools: This project includes the construction of 35 new schools in the areas of Najran and Sharourah. Also there are renovation projects for old schools. (Source: Ministry of Education)
- Hospitals: The project involves construction of new hospitals in the region worth SAR 102,000,000. In addition there are renovation and expansion works relating to old hospitals. (Source: Ministry of Health)

3 www.jazanecity.com

In addition to the foregoing, the Kingdom of Saudi Arabia began the construction of the Jizan Economic City which is considered one of the major economic cities, with a cost exceeding SAR 100 billion. The economic city was inaugurated by the Custodian of the Holy Mosques King Abdullah Bin Abdel Aziz Al Saud, may God protect him, in November 2006[4]. The Company expects that these projects, including the Jizan Economic City, will be major markets for NCC's cement products.

Summary Financial Information

The selected financials presented below should be read together with the audited financial statements for the years ended 31 December 2009 2010, and 2011, including in each case the notes thereto, which are included elsewhere in this Prospectus.

Key financial highlights (SAR '000)

	FY 2011	FY 2010	FY 2009
Operational performance			
Total sales	697,454	634,430	373,230
Cost of sales	(401,048)	(336,701)	(195,424)
Gross profit	296,406	300,728	177,806
General and administrative expenses	(23,866)	(23,695)	(19,840)
Investment income/ (loss)	-	-	17,066
Net income/ (loss)	234,634	241,720	152,066
Financial condition			
Current assets	298,218	304,534	241,173
Fixed assets	1,701,078	1,538,577	1,556,008
Total assets	1,999,296	1,843,111	1,825,123
Current liabilities	218,507	161,961	247,791
Non-current liabilities	557,661	383,153	
Total liabilities	776,168	545,114	509,846
Shareholders' equity	1,223,128	1,297,997	1,315,277
Key indicators			
Gross profit margin	42.45%	47.40%	47.6%
Net profit/ (loss) margin	33.64%	38.1%	40.7%
Current ratio (x)	1.4	1.9	1.0
Total liabilities to total assets	38.82%	29.57%	27.9%
Total liabilities to total equity	63.46%	42%	38.8%
Return/ (loss) on equity	19.18%	18.6%	11.6%
Return/ (loss) on assets	11.73%	13.1%	8.3%
Revenue growth rates	9.93%	70.1%	87.8%
Earnings growth rate	(2.93%)	59.0%	-

Source: Najran Cement Company

4 www.jazanecity.com

Summary Risk Factors

In considering an investment in the Offer Shares, potential Shareholders should carefully consider all the information contained in this Prospectus, including the risk factors described below and explained in more detail in Section 2 of this Prospectus entitled "Risk Factors".

Risks Related to the Company's Operations and Prospects

- Limited Historical Financial Data
- Dependence on Key Personnel
- Dependence on Third Party Agreements
- Interest Rate Risks
- Insurance Risks
- Licenses and Permits
- Equipment Risks
- Production Cost and Disruption Risks
- Fuel supply Risk
- Financing Risks
- Use of Proceeds Risk
- ERP System Implementation
- Operational Hazards and Events of Force Majeure
- Maintaining Relationships with Customers
- Risks Relating to Product Defects
- Risks Relating to Quarry License
- Greenfield Project Risk Associated with Construction of Line III
- Saudization
- Risks of Additional Funding
- Insurance Coverage
- Transportation Risk
- Distribution Networks

Risks Related to the KSA Market

- Risks Related to the Economy
- Competition
- Decrease in Construction Activity
- Supply and Demand Factors

Economic and Regulatory Risks

- Regulatory Environment
- Export Ban

Risks Related to the Offer Shares

- Absence of a Prior Market for the Shares
- Liquidity and Volatility in the Share Price
- Future Sales and Offerings
- Dividend Payment

Table of Contents

Indexing of Tables

1. Definitions and Abbreviations

The following sets out certain definitions and abbreviations used in this Prospectus.

Defined Term	Definition and Abbreviations
Admission	Admission of the Shares to the Official List and the admission of the Offer Shares to trading on the Exchange in accordance with the Article 28 of the Listing Rules
Advisors	The Company's advisors in relation to the Offering whose names appear on pages v and vi of this Prospectus
Alkalis	Base chemical compounds capable of removing protein from very weak acids in an acid-alkali reaction
Articles of Association	The Articles of Association of the Company
Auditor	BDO Dr. Mohamed Al Amri & Co, Accountants & Consultants
Authority or CMA	The Capital Market Authority of the KSA
Board or Board of Directors	The board of directors of the Company
BSF Financing Facilities	The BSF Financing Facilities described in Section 15.4.1 of this Prospectus
Business Day	Any day (except Thursdays, Fridays and public holidays) in which banks in Saudi Arabia are open for normal banking business
Bylaws	The Bylaws of the Company
By-Pass	The mechanism of filtration to remove alkali from raw materials
CAGR	Cumulative Annual Growth Rate
CEO	Chief Executive Officer of the Company
Clinker	The main material involved in manufacturing cement, mixed with the primary materials; clinker is composed of limestone and clay materials
CML	Capital Market Law issued under Royal Decree M/30 dated 2/6/1424H, as amended
CNBM	China National Building Materials Group Corp., being the lead subcontractor for Line II and the Grinding Unit
Companies Regulations	The Companies Regulations issued under Royal Decree No. M/6 dated 22/3/1385H, as amended
Company or NCC	Najran Cement Company Saudi Arabia, a Saudi Joint Stock Company
Corporate Governance Regulations	The Corporate Governance Regulations of the KSA, issued by the CMA pursuant to Resolution No. 1/2/2/2006 dated 21/10/1427H (corresponding to 12/11/2006G)
Directors	The Directors of the Company, whose name appear on page 52 of this Prospectus
Exchange or Tadawul	The Saudi Stock Exchange operating the electronic system for trading in listed securities in the KSA
Extraordinary General Assembly	An extraordinary general assembly of the Shareholders convened in accordance with the Bylaws
Financial Advisor	Saudi Fransi Capital Limited
Financing Agreements	The financing agreements described in Section 15.4 of this Prospectus
Government	Government of the KSA

Defined Term	Definition and Abbreviations
Grinding Unit	The Company's cement grinding unit located at Aakfah, in the Southern Region
Heavy Fuel Oil	A petroleum product, resulting after distillation of light components from petrol such as naphtha, gasoline, diesel and base oil
HCRDI	Hefei Cement Research and Design Institute, an affiliate of CNBM, responsible for the operation and maintenance of the Grinding Unit
Holtec	Holtec Consulting Private Limited, India
Investors	Consists of Saudi Arabian nationals, including divorced or widowed Saudi women with children from a marriage to a non-Saudi, who can subscribe to the benefit of their own account
KSA or Kingdom or Saudi Arabia	The Kingdom of Saudi Arabia
Lead Manager	Saudi Fransi Capital Limited
Line I	The initial clinker and cement production line located at the Main Plant
Line II	The second clinker production line at the Main Plant
Line III	The third clinker production line at the Main Plant
Listing Rules	The Listing Rules issued by the CMA pursuant to Article 6 of the CML promulgated under Royal Decree No M/30 dated 2/6/1424H (corresponding to 31 July 2003G) as amended
Main Contractor	Nesma
Main Plant	The Company's major production facilities, located near Sultanah in the Najran area which includes Line I and Line II
Management	The management of the Company
Nesma	Nesma & Partners Contracting Co. Ltd., being the Main Contractor of the Company
Net Proceeds	The proceeds of the Offering, after deducting the Offering expenses
Offer Price	SAR 10 per Offer Share
Offer Shares	85,000,000 Shares to be offered pursuant to the Offering
Offering	The initial public offering of 85,000,000 Shares, representing 50% of the issued share capital of the Company, at the Offer Price
Offering Period	The period starting from 24/5/1433H (corresponding to 16/4/2012G) for a period of up to seven (7) days up to and including 1/6/1433H (corresponding to 22/4/2010G)
Official List	The list of securities maintained by the CMA in accordance with the Listing Rules
OPC	Ordinary Portland Cement
Ordinary General Assembly	An ordinary general assembly of the Shareholders convened in accordance with the Bylaws
Palladium	A soft, ductile, steel-white, tarnish-resistant, metallic element occurring naturally with platinum often used in jewellery
Platinum	A silver-white metallic element often mixed with other metals and used in the making of boards, wires and other objects
President	The president of the Company

Defined Term	Definition and Abbreviations
REPO Rate	The margin on a repurchase agreement obtained by the purchaser of the security
Selling Agents	Banque Saudi Fransi, Al Rajhi Banking and Investment Corporation, Arab National Bank, The National Commercial Bank, Riyad Bank, Samba Financial Group, The Saudi British Bank (SABB)
Selling Shareholders	Current shareholders of the Company prior to the Offering
Senior Officers	Those officers of the Company identified in Section 8.3 of this Prospectus
Share(s)	Ordinary share(s) of the Company
SIBOR	Saudi Interbank Offered Rate
SRC	Sulphate Resistant Cement
Subscriber	Those Investors subscribing for the Shares pursuant to the Offering
Subscription Agreement	The agreement including the subscription terms and conditions and pursuant to which Investors will subscribe for and acquire shares in the Company enclosed with this Prospectus
Subscription Application Form	The subscription application form accompanying this Prospectus
Target Markets	The Southern Region of Saudi Arabia, together with both areas of Makkah and Riyadh
Underwriter	Saudi Fransi Capital Limited
Underwriting Agreement	The underwriting agreement to be entered into between the Company and the Underwriters in connection with the Offering
Wärtsilä	Wärtsilä Power Contracting Company, Ltd.

2. Risk Factors

Before deciding whether to purchase Offer Shares, prospective investors should carefully consider all the information contained in this Prospectus, including the risk factors described below. The risk factors are not exhaustive and exclusive, and there could be other risks currently unknown to, or considered immaterial by, the Company that may affect its operations.

The Company's business, prospects, financial condition, results of operations and cash flows could be adversely and materially affected if any of the following risks, which the Company management ("**Management**") currently believes to be material, actually occurs, or any other risks that the Board has not identified or that it currently considers not to be material, actually occur or become material risks.

An investment in the Shares is only suitable for investors who are capable of evaluation of the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. A prospective investor who is in any doubt about the action he/she or it should take should consult a professional advisor who specializes in advising on the acquisition of shares and other securities.

In the event that any of the risks materializes that Management currently believes to be material, or if any other risks that the Management have not identified or that they currently consider not to be material, occurs or become material risks, the trading price of the Offer Shares could decrease due to any of these or other risks. Prospective investors may lose all or part of their investment.

The risks and uncertainties that are described below are not presented in any assumed order of priority. Additional risks and uncertainties, including those currently unknown, or deemed immaterial, could have the effects set forth above.

2.1 Risks Related to the Company's Operations and Prospects

2.1.1 Limited Historical Financial Data

The Company was incorporated in 2005. Line I commenced trial production in October 2007 and Line II and the Grinding Unit commenced trial production in July 2008 and April 2009 respectively. The Company received Lines I and II from the Main Contractor in January 2009, while receiving the Grinding Unit in May 2009. The Company intends to install a third production line with a designed production capacity of 6,000 TPD of clinker and a capacity of 8,000 TPD of cement grinding, amounting to approximately 2 MTPA of cement. Construction of Line III has started on January 7, 2012, and is expected to begin operation of trial production at the end of the second quarter of 2013. Commercial production is expected to begin at the beginning of the fourth quarter of 2013.

The Company has audited financial statements for the 2006 to 2011 fiscal years. However, such financial statements are unlikely to be a useful basis upon which to evaluate the Company's future performance or for prospective investors to make a decision about acquiring the Shares. The historical financial information in this Prospectus may not be indicative of the Company's future financial condition or results of operations.

To evaluate the Company's prospects, prospective investors should consider the risks, expenses, uncertainties and obstacles that NCC may face in implementing its strategy and in conducting its business.

2.1.2 Dependence on Key Personnel

The Company is dependent upon the abilities and experience of its Senior Officers and key personnel, both in the administrative and operational areas of responsibility. Although the Company offers competitive salaries and good working conditions to retain and attract employees, it cannot guarantee that it will succeed in retaining existing employees or attracting new ones.

The loss of key personnel or a failure to retain qualified employees or to identify, hire and retain other highly qualified personnel in the future could have a material adverse effect on the Company's results, operations, financial position, and/or Share price.

2.1.3 Dependence on Third Party Agreements

The Company has entered into (i) an agreement with Holtec Global Solutions FZE[5] ("**Holtec Global Company**") to provide experienced technical personnel to monitor the operation and maintenance of the Grinding Unit by Hefei Cement Research & Design Institute ("**HCRDI**"); and (ii) an agreement with HCRDI to operate and maintain the Grinding Unit. The Company has also entered into a Power Plant Operation and Maintenance Agreement with Wärtsilä, pursuant to which Wärtsilä operates power plants for its facilities. (*For further information on the contracts, refer to Section 15.5 of the Prospectus.*)

The Company is therefore currently dependent upon these third party contractors to carry out the operation and maintenance of the Grinding Unit. The Company intends to leverage the experience of these third party contractors to develop the necessary technical expertise over time amongst its own employees to enable them to operate the production facilities and the power plant. However there is no guarantee that the Company's employees will develop the requisite level of expertise by the end of current contract terms or that the Company will be able to find, if necessary, adequate replacement services from experienced contractors on a timely basis following the expiry of current contract terms. (*For further information on the contracts, refer to Section 15.5 of the Prospectus.*)

If the contractors fail to provide services that meet the Company's quality standards, if the Company is prematurely forced to change contractors for any reason or if the Company's employees do not develop the expertise necessary to properly operate its facilities and the Company is unable to secure new contractors to replace the current ones on acceptable terms, or at all, then this may result in additional costs or interruptions to current operations which may in turn have a material adverse effect on the Company's results, operations, financial position, and/or Share price. (*For further information on the contracts, refer to Section 15.5 of the Prospectus.*)

2.1.4 Interest Rate Risks

The Company has borrowed money at variable interest rates under the Financing Agreements. Increases in interest rates would increase the Company's interest expenses, and this could adversely affect the Company's results of operations, cash flow and its ability to service its debt.

2.1.5 Insurance Risks

The Company may become subject to liabilities, including liabilities for pollution or other hazards, against which the Company is not insured adequately or at all or cannot insure. The Company's existing policies (whilst considered appropriate by the Company for the nature of operations and foreseeable risks) like all policies, contain certain exclusions and limitations on coverage. In addition, the Company's insurance policies may not continue to be available. As a result, in the future, the Company's insurance policies may not cover the extent of claims against the Company. Therefore there is a risk that losses and liabilities from uninsured or underinsured risks may significantly increase the Company's costs that have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or its Share price. (*For further information on the insurance maintained by the Company, refer to Section 15.7 of the Prospectus.*)

2.1.6 Licenses and Permits

Like all other cement companies, the Company is required to obtain and maintain appropriate licences, permits and regulatory consents in respect of its activities.

Some of the Company's licences are for a limited period and must be renewed periodically. In addition, most of the Company's licences provide that they may be suspended or terminated if the Company fails to comply with the licence requirements. It is also possible that the relevant issuing authority could alter the terms of an existing licence under which the Company operates. Further, when a licence is sought to be renewed or amended there can be no guarantee that the relevant authority would be prepared to renew or amend the scope of the licence, or that were it to do so that it would not impose conditions unfavourable to the Company. Moreover, whilst the Company believes that it has obtained the appropriate licences for its activities, there can be no guarantee that additional licences may not be required in the future.

5 The Company acknowledged that it operates Lines I and II by itself and that all operation contracts with other companies have been already terminated

If the Company fails to renew a licence, or has a licence suspended or terminated, or has a licence renewed or amended on unfavourable terms, or the Company is not otherwise able to obtain additional licences required in the future the Company may be required to cease certain operations which could result in operational and production interruptions or additional costs, any combination of which could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or its Share price. (*For further information on the licenses held by the Company, refer to Section 15.3 of the Prospectus.*)

2.1.7 Equipment Risks

The Company has procured equipment from leading suppliers which is critical to the successful operation of its facilities. Accordingly the Company is dependent on the reliable and consistent operation of such equipment in order to achieve its financial projections.

Any unplanned failure of a key item of plant or equipment could significantly interrupt the Company's production and impair the Company's ability to maintain production at the volumes or quality necessary meet its customers' demands. Such a failure could therefore result in a material adverse effect on the Company's business, prospects, and results of operations.

2.1.8 Production Cost and Disruption Risks

The Company's cost of production may increase significantly due to factors beyond the Company's control. The Company's most significant cash costs include: i) raw material costs, consisting of royalty on inputs extracted from the on-site quarry and for materials supplied by third parties (particularly iron ore); ii) labour costs; iii) repair and maintenance costs; iv) material handling costs; and v) fuel costs.

Prices for the raw materials required may increase from time to time (whether because of government actions to raise the royalty or because of rate increases by suppliers of other raw materials or fuel). In the event of any such increase, the Company may not be able to pass on the entire cost of the increases to its customers or fully offset the effects of such higher costs through productivity improvements.

In the event that there are disruptions in production or delays to the supply of raw materials, contracted suppliers experience shortages or operational problems, or suppliers are otherwise unable or otherwise unwilling to supply raw materials or fuel in the required quantities or at all, the Company may need to find alternate suppliers. Any delay in finding a suitable alternative supplier may result in an interruption in the Company's operations.

Significant increases in costs of production, including in particular, the cost of raw material or fuel or disruptions in finding suitable alternative suppliers, could have a material adverse effect on the Company's business, prospects, results of operations and financial condition or on its Share price.

2.1.9 Fuel Supply Risk

The Company needs fuel to operate its heavy fuel oil power plant and heat exchangers for Lines I and II. The Company is supplied all of its fuel from Aramco for its power plant and Line I under a signed contract. Over the past three years, the Company has purchased certain quantities of fuel from Aramco to operate Line II. However, Aramco interrupted fuel supply for Line II on 1 January 2011G, which is why the Company is using the surplus fuel resulting from interruptions of maintenance of Line I to operate Line II. The Company is taking the necessary steps, including liaising with the MPMR and Aramco to secure the supply of fuel for Line II. It is expected that following the IPO and upon receiving the relevant instructions from the MPMR, Aramco will continue to supply the necessary fuel for Line II.

The following table shows the quantities of fuel required to operate each line at full capacity:

	Quantities of Fuel Required Annually
Line I	258,000M^3
Line II	144,000M^3
Line III	210,000M^3

The Company will also take the necessary measures with the MPMR and Aramco to provide fuel for the planned Line III (following its construction). Moreover, the Company is planning to build a WHR Plant which will enable all lines to recover and re-use 22-24% of the heat discharged during the fuel burning process, which will reduce the quantity of fuel required from Aramco and reduce the Company's dependence on heavy fuel oil by approximately 38,750M^3 per year. However, there is no guarantee that the Company will be able to secure the amounts of fuel required from Aramco for Lines II and III after the IPO, and it may even have to shut down one or both lines, and thus reduce its production capacity by 33%, which will adversely affect its business, operations, financial position, Shares' price and future prospects.

2.1.10 Financing Risks

The Company has entered into a loan agreement with SIDF pursuant to which it has agreed to grant a mortgage deed on its fixed assets, including a plot of land in Najran City (*see details in Section 15.4.3 below*). If the Company were to breach certain debt covenants under the SIDF loan, SIDF could require the Company to repay the debt immediately and/or take possession of the mortgaged assets.

In addition, the Company has entered into the BSF Financing Facilities with BSF and a credit facility with the National Commercial Bank ("**NCB**"), which may increase its exposure to default and foreclosure risks. Further, these and other facilities which the Company may enter into may expose it to certain other risks such as customary limitations and restrictions on the Company's ability to incur further debt or being subject to strict financial covenants requiring certain financial ratios to be met. (*For further information on the facilities, refer to Section 15.4 of the Prospectus.*)

If the Company were to breach certain debt covenants in the future, its lenders could require the Company to repay the debt immediately, and, if the debt is secured, take possession of the Company's assets. In addition, if any lender declared its loan due and payable as a result of a default, the Company's other lenders would likely have the ability to require that those debts owed to them be paid immediately. In these circumstances there could be no assurance that the Company would be able to access sufficient alternative funding to meet such repayments.

Any of these risks could have a material adverse effect on Company's business prospects, results of operations and financial condition and/or its Share price.

2.1.11 Use of Proceeds Risk

The Company expects to use SAR 467,135,882 from the IPO proceeds, SAR 500,000,000 through loans, and SAR 297,026,118 from the Company's internal cash, which represents a total of SAR 1,264,162,000 for the expansion of the Main Plant through the establishment of Line III. The Company is currently taking the necessary steps with the MPMR and Aramco to provide fuel for Line II, and it is expected that following the IPO and upon receiving the relevant instructions from the MPMR, Aramco will continue to supply the necessary fuel for Line II. The Company will also take the necessary measures with the MPMR and Aramco to provide fuel for the planned Line III (following its construction). However, there is no guarantee that the Company will be able to secure the amounts of fuel required for Lines II and III, which may lead to the shutdown of one or both lines. Such shutdown may reduce the Company's current production capacity, which will adversely affect the Company's business, operations, financial position, Shares' price and future prospects and may also adversely and materially affect expected returns to Subscribers. Subscribers may also lose their entire investment in the Company.

2.1.12 ERP System Implementation

The Company is in the process of implementing the ERP system which will improve the management of a broad range of information (such as finance/accounting, manufacturing, sales and service) across the entire organization and this in turn will facilitate the flow of information internally. Although the implementation of the ERP system began in 2011, certain additional modules (including the fixed asset module) will not be implemented until the end of the first quarter in 2012. If specific maintenance is required for a fixed asset or if such asset needs to be replaced (prior to the implementation of the module) then the Company may not be able to provide the relevant information related to the fixed asset in a timely manner causing delay in the relevant repair or replacement, which, if material, could have an impact on the Company's operations and profitability.

2.1.13 Operational Hazards and Events of Force Majeure

The Company operates a large scale cement plant that is subject to significant operational risks generally associated with industrial companies, including industrial accidents, unusual or unexpected climactic conditions and environmental hazards. The Company and its operations may also suffer as a result of another general *force majeure* event.

Such hazards or events could cause significant damage to the Company's facilities or harm to its workforce, major disruption to the production process, and the Company's ability to deliver its products, and/or result in significant losses or liabilities being incurred by the Company, any of which may have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or its Share price. (*For more information on the insurance policies maintained by the Company, refer to Section 15.7 of the Prospectus.*)

2.1.14 Maintaining Relationships with Customers

At the end of 2011 the Company's top five customers accounted for 52% of the Company's sales. The Company has good relationships with its customers but does not have any long term contracts with these customers. If the relationship with these customers breaks down or if the Company loses a few of its customers to a competitor this may adversely affect the Company's business, its financial results and the results of its operations.

The Company intends to maintain good relations with its distributors, suppliers, transport providers, governmental departments, private sector and other third parties to be able to compete successfully in the Saudi Arabian market. In addition, the Company must take all the operational and effective procedures to carry on its objectives in a proper and pre-planned manner.

The Company's failure to create and maintain the necessary relations with its customers, distributors, suppliers and other third parties in accordance with fair terms or its failure to develop a plan for its operations efficiently and effectively may adversely affect the Company's business, its financial results and the results of its operations.

2.1.15 Risks Relating to Product Defects

Despite the regulations and the monitoring of Company products throughout all production and manufacturing phases, in addition to verifying company products' compliance with the standards adopted in the targeted markets, the Company cannot rule out the possibility of breakdowns or incidents that may lead to defects in product quality, which could adversely impact the Company's activity, its financial results and the results of its operations.

2.1.16 Risks relating to Quarry License

The Company is currently operating under the Quarry License that is under the name of Thamarat Najran LLC (*for further information on this company and the license conditions, refer to Section 15.3.3 of the Prospectus*). As a condition of the Quarry Licence, Thamarat Najran LLC was obliged to procure the establishment of the Company for the purpose of undertaking the Offering and to transfer the licence to the Company. It is the Company's expectation that the MPMR will transfer the License to the Company after the Offering is completed and the Shares have been listed. The Company is presently engaged in communications with the MPMR to ensure the timely transfer of the Quarry Licence. There can be no assurance that the Quarry License will be transferred in a timely manner to the Company which could have a material adverse effect on the Company's business, prospects, results of operation, financial condition and/or its Share price.

2.1.17 Greenfield Project Risk Associated with Construction of Line III

The Company intends to use part of the IPO proceeds to construct a third production line with a designed production capacity of 6,000 TPD of clinker and a cement grinding capacity of 8,000 TPD. There can be no guarantee that Line III can be constructed within the time-frame and budget anticipated and that when constructed, Line III will be able to operate at the capacity envisaged. Any delays or cost overruns in the construction of Line III could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or its Share price.

In addition, although the Company has carried out a detailed assessment of the demand for cement to be produced by Line III, there can be no guarantee that the projections and assumptions on which it has been commissioned will prove correct in practice. If any of the assumptions on the basis on which Line III has been constructed prove to be incorrect, this may have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or its Share price.

2.1.18 Saudization

Compliance with Saudization requirements is a government directive requiring companies active in the KSA, including NCC, to employ and maintain a certain number of Saudi personnel among its staff. In accordance with a Department of Labor instruction issued 1/5/1423H (corresponding to 10/8/2002G), a company must in this case obtain a certificate to this effect from the Ministry of Labor. The Ministry of Labor has decided to impose stricter Saudization policies at the beginning of this year under the new Nitaqat program.

According to the Nitaqat program the Saudization requirements in companies are based on comparison of companies within the same industry. The Company is classified by the Ministry of Labor under the "green" category. Currently 29.61% of the Company's employees are Saudi[6].

The Company intends, when possible, to employ a Saudi workforce in all of the Company's divisions and at all administrative levels. The Company also intends to provide the possibilities necessary for its Saudi employees to develop their technical skills through training courses making them eligible to take charge of high positions at the Company.

Nevertheless, there are no guarantees that the Company will be able to fulfill current or future Saudization requirements that might be required by the concerned agencies, and thus penalties might be imposed on the Company by government agencies. Penalties for non-implementation of Saudization requirements include suspending work visa requests, or reducing the numbers requested by the Company and ceasing transfer of sponsorship for non-Saudi employees or excluding the Company from participating in government tenders or preventing it from obtaining government loans.

2.1.19 Risks of Additional Financing

The Company relies on its ability to procure commercial loans, and the Company may need financing in the future which may or may not be available to it; or if available, such financing may be obtained on terms that are onerous to the Company. If the Company is to develop its operations and remain competitive, it will have to expand its operations and therefore need additional financing. The Company's additional financing needs also depend on its capital, financial position, cash flow and the results of its operations. Therefore, the Company cannot assure that additional financing will be readily available or, if available, that such financing will be obtained on terms that are not onerous to the Company.

2.1.20 Insurance Coverage

The Company maintains several types of insurance policies with a total coverage of approximately SAR 2.2 billion (*for more details, please refer to Section 15.7*) which the Company sees as sufficient to provide coverage of the liabilities it may incur. These insurance policies may include certain exceptions and limitations and some policies may not provide full insurance coverage against all potential risks related to the business of the Company. Therefore, if the Company incurs uninsured liabilities or liabilities not adequately insured, then this may cause a significant increase in the operational costs, adversely affecting the Company's results of operations, financial condition, business and prospects.

2.1.21 Transportation Risk

The Company does not have its own transportation trucks to transport the cement it produces, and therefore it offers incentives to its customers to pick up cement directly from the Company. The transportation of raw materials between the quarry and Main Plant, as well as the transport of the clinker between the Main Plant and the Grinding Unit, are carried out by two contractors. If the Company's customers cannot pick up cement directly from the Company or in case there is a dispute or non-agreement between the transporters and the Company, this could have a material adverse impact on the Company's operations, financial condition, business and prospects.

6 This reference is taken from the Nitaqat Certificate awarded to the Company

2.1.22 Distribution Networks

The Company depends on its own distribution network to sell its products. The Company's distributors may not comply with the specific standards of sale of the Company's products, which may affect the Company's sales results. In addition, competitors may propose better offers to the distributors than those offered by the Company. As a result, these distributors may withdraw and start promoting the Company's competitors' products.

2.2 Risks Related to the KSA Market

2.2.1 Risks Related to the Economy

The Company's performance depends on the economic conditions of the Kingdom of Saudi Arabia and on global economic conditions that affect the economy of the Kingdom.

Despite its growth in other sectors, the Saudi economy and government spending are still dependent on the price of oil and gas in the world markets and therefore, a decline in the prices of oil and gas could substantially slow down or disrupt the Saudi economy or the Government's spending plans.

In addition, any negative change in one or more macroeconomic factors, such as the exchange rate, interest rates, inflation, wage levels, foreign investment or international trade, could have a material adverse effect on the Company's business and financial condition, and results of operations.

Furthermore, as the economic and legal environments remain subject to continuous development, the Company may face uncertainty as to the security of its investment in its assets. Any unexpected major changes in the political, economic or legal conditions of the Kingdom, its neighbouring countries or other countries in the region may have a material adverse effect on the Company's business prospects, financial condition, results of operations and/or its Share price.

2.2.2 Competition

The Company operates in a competitive environment. Although the Company believes that it has a competitive advantage in Najran, in order to sell in other markets the Company will have to compete with one or more of the Kingdom's other sixteen (16) cement producers. Although the barriers to entry are relatively high, it is also possible for new competitors to penetrate the market, which may lead to further increased competition.

In addition, competitive pricing by the Company's competitors may affect the financial performance of the Company. The cement companies that are already operating in the market have established relationships with customers and the Company anticipates that it may take some time for a new entrant to penetrate and effectively compete with these companies in their established, target markets. Further, a surplus of cement in the national market is likely to lead to even greater competition. These competitive pressures, alone or in combination, may have a material adverse effect on the Company's business, prospects, financial condition, results of operation and/or its Share price.

2.2.3 Decrease in Construction Activity

The Kingdom has witnessed strong economic growth in recent years, evidenced by the high number of infrastructure and industrial projects (including oil and gas and petrochemical projects) that are either underway or planned for future construction.

Nevertheless, the Company's profitability and operations are dependent to a great extent on the on-going strength of the Saudi construction sector, and on the execution of both private sector and public sector infrastructure projects in accordance with the plans in place as of the date of this Prospectus. In the event that current or proposed projects do not proceed as expected or that the sector weakens generally, the business, prospects, results of operations, financial condition and/or the Share price of the Company could be materially adversely affected.

2.2.4 Supply and Demand Factors

Due to the commodity nature of cement, competition is based primarily on price and to a lesser extent on performance, product quality, product deliverability and customer service. As a result, the Company may not be able to protect its market position in the cement industry by product differentiation and may not be able to pass on any cost increases to its customers. Historically, prices for the Company's cement have been cyclical and sensitive to relative changes in supply and demand and general economic conditions. Other products may be subject to these same factors, but typically the impact of these factors is greatest on commodity products.

It is not possible to accurately predict future supply/demand levels or market condition. As a result, the Company may experience periodic fluctuations in its financial results because of the impact of industry-wide conditions, production levels, product sales and price.

2.3 Economic and Regulatory Risks

2.3.1 Regulatory Environment

The Company's businesses are subject to regulations in Saudi Arabia. The regulatory environment in which the Company operates may be subject to change. Regulatory changes caused by political, economic, technical and/or environmental factors could significantly impact the company's operations by restricting the development of the Company or its customers, restricting operations and sales of the Company's services and products or increasing the potential for additional competition. The Company may deem it necessary or advisable to modify its operations in order to operate in compliance with such regulations, which may have a material adverse effect on the Company's business, prospects, results of operations, financial conditions, and/or its Share price.

2.3.2 Export Ban

In July 2008G, the Government imposed a ban on all cement producers on the export of cement outside of Saudi Arabia. The ban and restrictions impacted the export sales of cement by Saudi producers who export their products to neighboring countries. The Government has recently modified the ban and stated that export of cement may be permitted provided that certain conditions are fulfilled by the cement producer (one of those conditions is that the cement producer sell a bag of cement to the Saudi Market at the price of SAR 10 (ten Saudi Riyals) per 50 kg bag. On 12 February 2012G, the Ministry of Commerce and Industry decided to stop any export of cement and clinker, in compliance with cement export controls, which require the fulfillment of local market needs, supply adequacy, and price stability in local markets[7]. This decision adversely affects the Company's plan to export to foreign markets.

2.4 Risks Related to the Offer Shares

2.4.1 Absence of a Prior Market for the Shares

Currently, there is no public market for the Company's Shares, and there can be no assurance that an active trading market for the Company's Shares will develop or be sustained after this Offering. This may have a negative impact on trading liquidity or the Company's Share price.

2.4.2 Liquidity and Volatility in the Share Price

Subscribers may not be able to resell their Offer Shares at or above the Offer Price, or at all, as the market price of the Offer Shares after the Offering may be adversely affected by factors within or outside of the Company's control, including, but not limited to, variations in the Company's results of operations, market conditions, or changes in Government regulations. Market fluctuations and economic conditions may adversely affect the market price of the Offer Shares.

7 www.mci.gov.sa

2.4.3 Future Sales and Offerings

Sales of substantial amounts of the Shares in the public market following the completion of the Offering, or the perception that these sales will occur, could adversely affect the market price of the Shares. Upon the successful completion of the Offering, the Selling Shareholders may not dispose of any Shares for a period of six months. The Company does not currently intend to issue additional shares immediately following the Offering. Nevertheless, the issuance by the Company of new Shares, or sale of a substantial number of Shares by any of the Selling Shareholders, with CMA approval and following the six month share restriction period, could have an adverse effect on the market for the Shares and result in a lower market price of the Shares or a lower percentage of ownership in the Company.

In addition, the Company may decide in the future, according to its By-laws and after obtaining the regulatory approvals, to issue preference shares providing better rights than those of current shareholders.

2.4.4 Dividend Payment

The Company's decision on the distribution of dividends will be dependent upon various factors, including the future profit, financial position, capital requirement, distributable reserves and available credit of the Company, as well as general economic conditions and other factors that the Directors may deem significant from time to time. Also, the Company's ability to declare and pay cash dividends on the Shares may be restricted by, among other things, covenants in credit facilities, the recovery of accumulated losses and provisions of Saudi Arabian law. Further, payment of dividends by the Company in the past is no guarantee that dividends will be paid in the future.

There can be no assurance as to whether any dividend will be paid, or as to the amount paid, if any, in any given year.

3. The Company

3.1 Introduction

NCC was established pursuant to Ministerial Resolution No. 1484 dated 28/8/1426H (corresponding to 2/10/2005G) as a closed joint stock company and pursuant to the Ministry of Commerce and Industry Commercial Registration Number 5950010479 and Industrial License number 1693/I dated 28/11/1425H (corresponding to 7/1/2005G) and amended under Numbers 1949/I dated 21/7/1428H (corresponding to 4/8/2007G) and 5482/S dated 25/07/1432H (corresponding to 26/6/2011G). The main activity of the Company is the production of Ordinary Portland Cement ("**OPC**") and Sulphate Resistant Cement ("**SRC**"), which it sells predominantly in the Southern Region (in particular in the province of Asir and Jizan city) and the provinces of Taif, Jeddah and Makkah in the Western Region. The Company's activities also include wholesale and retail trade of the Company's products and construction materials, the establishment or co-establishment of industrial services companies for the purpose of providing maintenance and services for plants, the management and operation of cement plants, the acquisition and use of lands, real-estate and patents and the benefit from the use thereof in achieving its objectives.

The Company's share capital at incorporation was SAR 1,150,000,000 (one billion one hundred fifty million Saudi Riyals) divided into 115,000,000 ordinary Shares with a nominal value of SAR 10 (ten Saudi Riyals) each. On 25/12/1432H (corresponding to 21/11/2011G) the Extraordinary General Assembly adopted a resolution providing for an increase of SAR 550,000,000 (five hundred fifty million Saudi Riyals) of the Company's share capital from SAR 1,150,000,000 (one billion one hundred fifty million Saudi Riyals) to SAR 1,700,000,000 (one billion seven hundred million Saudi Riyals). The partial increase was carried out by issuing 6,900,000 (six million nine hundred thousand) shares with a nominal value of SAR 69,000,000 (sixty-nine million Saudi Riyals) to the current shareholders through capitalizing the Company's statutory reserves. Subsequently, the current Shareholders (whose names appear in Section 3.2 "Shareholding Structure") subscribed to a total of 121,900,000 (one hundred twenty-one million nine hundred thousand) ordinary Shares with a total and fully paid up value of SAR 1,219,000,000 (one billion two hundred nineteen million Saudi Riyals). As for the remaining 48,100,000 (forty-eight million one hundred thousand) Shares valued at SAR 481,000,000 (four hundred eighty-one million Saudi Riyals) representing 28.29% of the Company's share capital, these Shares will be offered to the public through the Offering. The current Shareholders have agreed to sell 36,900,000 (thirty-six million nine hundred thousand) Shares to the public which represents 21.71% of the Company's share capital. The new 48,100,000 (forty-eight million one hundred thousand) shares will be offered alongside the 36,900,000 (thirty-six million nine hundred thousand) Shares which will be sold by the current shareholders to the public through the Offering representing 50% of the share capital of the Company after the increase. Following the Offering, the paid up capital of the Company shall be SAR 1,700,000,000 (one billion seven hundred million Saudi Riyals) consisting of 170,000,000 (one hundred seventy million) ordinary shares with a nominal value of SAR 10 (ten Saudi Riyals) each.

The following table shows the stages of changes in the capital of the Company until after the Offering:

	Prior to Capitalization of Statutory Reserves (as at 30 September 2011)	Post Capitalization of Statutory Reserves (as at 31 December 2011)	As at 31 December 2011 (pro forma Post IPO)
Paid Up Capital	1,150,000	1,219,000*	1,700,000
Statutory Reserves	69,173	669	669
Retained Earnings	75,148	3,460	3,460
Total Equity	**1,294,321**	**1,223,128**	**1,704,128**
Short Term Debt	70,000	140,000	140,000
Long Term Debt	400,370	553,500	553,500
Total Debt	**470,370**	**693,500**	**693,500**
Total Capital	**1,764,691**	**1,916,628**	**2,397,628**

All amounts in SAR 000's

Source: Najran Cement Company

** Further to the approval from the Company's EGM, the Company's Statutory Reserves of SAR 69,000,000 were capitalized. This increased the Company's paid up capital to SAR 1,219,000,000*

Both the Company's headquarters and operations are located in the Najran Region of the Southern Province in the Kingdom of Saudi Arabia.

NCC's operations consist of mining, clinkerization and cement grinding, which are all undertaken in the Company's Main Plant (located on a concession area of 30 square kilometres) acquired by virtue of a lease granted by MPMR in the Yadamah area of Sultana, 240 km from Najran on Riyadh Road. In addition to this, the Company owns a stand-alone cement Grinding Unit at Aakfah, 300 km away from the Main Plant on Khamis-Mushait road. The purpose of the Grinding Unit is selling and distributing cement to the Asir region.

The following table shows the dates of construction, trial production and commercial production for each line:

	Beginning of Commercial Production	Beginning of Trial Production	Date of Construction
Line I	January 2009G	October 2007G	December 2005G
Line II	January 2009G	July 2008G	July 2006G
Line III	Q4 - 2013 (expected)	Q3 - 2013 (expected)	January 2012G
Grinding Unit	May 2009G	April 2009G	January 2008G

Source: Company

Clinkerization is carried out at two production lines at the Main Plant with a total capacity of 9,000 TPD of clinker. Line I, with a production capacity of 6,000 TPD of clinker and cement grinding capacity of 6,400 TPD began operations in October 2007. Line II, with a production capacity of 3,000 TPD of clinker, started trial production in July 2008 while trial production at the Grinding Unit, whose production capacity is 5,800 TPD, began in April 2009. Line I and Line II were taken over by the Company from the Main Contractor in January 2009 and the commercial production for both lines started in January 2009G, whereas the Grinding Unit was taken over and the commercial production started in May 2009. The taking over of the first line by the Company was delayed as the Main Contractor had to take the time to implement the Company's improvements for the initial delivery. More time was also taken for the completion of all of the civil works, steel structural works, equipment erection and commissioning works and submission of the performance test certificate by the Main Contractor. However, this delay did not prevent the Company from producing and selling its production.

The following table shows the production capacity of clinker for each line, on daily and annual basis:

	Daily Production Capacity	Annual Production Capacity (320 days)
Line I	6,000T	1.92T
Line II	3,000T	0.96T
Line III	6,000T (expected)	1.92T

The Company has received the first and second production lines from the Main Contractor and the commercial production for both lines started in January 2009, while the Grinding Unit was received and commercial production started in May 2009G.

The following table shows clinker production capacity and quantities produced, as well as the utilization rate for each line for years 2009, 2010 and 2011:

	Line I			Line II		
	Production Capacity	Produced Quantities	Rate of Exploitation	Production Capacity	Produced Quantities	Rate of Utilization
2009G	1,920,000	1,555,241	81%	960,000	927,768	97%
2010G	1,920,000	1,594,309	83%	960,000	767,736	80%
2011G	1,920,000	1,582,747	82%	960,000	814,859	85%

Source: Najran Cement Company

The annual cement production capacity pursuant to the industrial license held by the Company is up to 5.5 million tons of both OPC (5.2 million tons) and SRC (300,000 tons) (this figure includes the total production capacity of NCC after completion of Line III which is expected to produce 1.92 million tons of clinker yearly). The amount of cement produced in 2011 was 2,778,186 tons of OPC which accounts for ninety-two percent (92%) of the total cement produced and 232,872 tons of SRC which accounts for eight percent (8%) of the total cement production.

To operate the Plant at full capacity, the Company is taking the necessary measures with the MPMR and Aramco to provide fuel for Line II. It is expected that following the IPO and upon receiving the relevant instructions from the MPMR, Aramco will continue to supply the necessary fuel for Line II. The Company will also take the necessary measures with the MPMR and Aramco to provide fuel for the planned Line III (following its construction).

The following table shows the amount of fuel needed to run each line at full capacity:

	Amount of Fuel Required Annually
Line I	258,000M3
Line II	144,000M3
Line III	210,000M3

Moreover, the Company is planning to build a WHR Plant which will enable all lines to recover and re-use 22-24% of the heat discharged during the fuel burning process, which will reduce the quantity of fuel required from Aramco and reduce the Company's dependence on heavy fuel oil by approximately 38,750M^3 per year.

In addition to this, the Company has signed a contract dated 17 November 2011 with Nesma & Partners Contracting Co. Ltd. for the construction of Line III with a production capacity of 6,000 TPD of clinker and a cement grinding capacity of 8,000 TPD at the Main Plant. Commercial production is expected to begin in the fourth quarter of 2013. This will increase the Company's total production capacity of clinker to 15,000 TPD and increase cement grinding to 20,200 TPD (*For further information on the contract, refer to Section 15.5 of the Prospectus.*).

The Company has also commissioned for the engineering, procurement and construction of a WHR Plant for Lines I, II and III each which will enable the Company to recover and re-use 22-24% of the heat discharged during the burning process involved in clinkerization (*for more details please section 12.3 of the Prospectus*).

For 2010 the full production capacity of the Main Plant, based on 320 days of budgeted production (allowing for approximately 45 days of maintenance and planned stoppages) was 2.88 million tons of clinker using both Lines I and II. Commercial production in 2010 was 2.36 million tons of clinker over an average of 260 days of commercial production among the two lines (approximately 60 days were lost due to closure of the production lines due to an electrical malfunction which resulted in unexpected technical difficulties. The Company hired experts from ABB Contracting Company Ltd.[8] company to correct the problem which was resolved permanently), equalling a budgeted capacity utilization of approximately 82.0%. The Company has expected to increase capacity utilization estimated in the budget during the year 2011. The rate of capacity utilization estimated in the budget of the Main Plant in 2011 was 2.62 million tons, while the commercial production was 2.39 million tons, due to the stoppage of production for two (2) months after the closure of the production lines as a result of lack of fuel, (to solve this problem the Company is currently using the fuel surplus resulting from interruptions of maintenance of Line I to operate Line II) which is an equivalent rate to the use of about 84% of the energy estimated in the budget. It is planned that the design production capacity of the Line III to be two (2) million tons of cement annually.

The Main Plant is strategically located in the Tuweeq mountains in Najran. The closest competitor to the Company in respect of target markets (which are the Asir province and Jizan city in the Southern region and Taif, Makkah and Jeddah in the Western region) is located 800 km away from these markets, thereby limiting the intensity of this competition. In addition, the Main Plant is located close to the highway linking Najran to Riyadh, which reduces costs of transportation and distribution in the central region of Saudi Arabia.

8 A world leading company in energy technology that enables factories to improve their utilities while minimizing any environmental impact

3.2 Shareholder Structure

No.	Selling Shareholders	Pre-Offering		Post-Offering	
		No. of Shares	% of Shareholding	No. of Shares	% of Shareholding
1.	Majid Bin Ibrahm Bin Abdulaziz Al Ibrahim	31,798,940	26.086%	22,173,173	13.043%
2.	Abdullah Bin Abdulaziz Bin Saleh Al Rajhi	15,898,940	13.043%	11,086,217	6.521%
3.	Mohammad Bin Mana'a Bin Sultan Aballala	8,783,176	7.205%	6,124,445	3.603%
4.	Abdul Latif Saud Al Babtain and Brothers Trading and Contracting Company	7,736,940	6.347%	5,394,913	3.173%
5.	SKAB Group Company	7,420,000	6.087%	5,173,913	3.043%
6.	Prince Mishal Bin Saud Bin Abdulaziz Al Saud	7,420,000	6.087%	5,173,913	3.043%
7.	Khalid Bin Saud Abdullah Al Shabeli	5,300,000	4.348%	3,695,653	2.174%
8.	Abderehman Bin Mushabbab Bin Ali Al Kenani Al Shahri	5,300,000	4.348%	3,695,653	2.174%
9.	Al Mohaisen and Sons Holding Co.	3,708,940	3.043%	2,586,217	1.521%
10.	Abdulla and Saeed Bin Zager Co. Ltd	3,180,000	2.609%	2,217,392	1.304%
11.	Abdullah Bin Salim Bin Wesaimer Al Wesaimer	2,459,200	2.017%	1,714,783	1.008%
12.	Walid Bin Ibrahim Bin Abdulaziz Al Ibrahim	2,120,000	1.739%	1,478,261	0.870%
13.	Saudi Trading and Contracting Establishment – for its owner Omar Babatin	1,856,325	1.523%	1,294,403	0.761%
14.	Khalid Bin Saleh Bin Abdulaziz Al Rajhi	1,590,000	1.304%	1,108,695	0.652%
15.	Abdul Mohsin Bin Abdullah Bin Fahd Al Hokair	1,590,000	1.304%	1,108,695	0.652%
16.	Abdul Rehman Abdullah Al Moosa and Sons Co. Ltd	1,590,000	1.304%	1,108,695	0.652%
17.	Riyadh World Food Company	1,590,000	1.304%	1,108,695	0.652%
18.	Al Saedan Real Estate Co	1,590,000	1.304%	1,108,695	0.652%
19.	Al Marqab Co. for its owner Hend Al Haidar and partners	1,325,000	1.087%	923,914	0.543%
20.	Khalid Bin Nasser Bin Abdulla Al Missned	1,114,574	0.914%	777,185	0.457%
21.	Mohammed Bin Ibraim Bin Abdulaziz Al Ibrahim	1,060,000	0.870%	739,130	0.435%
22.	Abdul Aziz Bin Ibrahim Bin Abdulaaziz Al Ibrahim	1,060,000	0.870%	739,130	0.435%
23.	Khalid Bin Ibrahim Bin Abdulaziz Al Ibrahim	1,060,000	0.870%	739,130	0.435%
24.	Princess Sarah Bint Faisal Bin Turki Bin Abdulaziz Al Saud	1,060,000	0.870%	739,130	0.435%
25.	Saudi Pan Kingdom	795,000	0.652%	554,348	0.326%

No.	Selling Shareholders	Pre-Offering		Post-Offering	
		No. of Shares	% of Shareholding	No. of Shares	% of Shareholding
26.	Al Trais Saudi Company for Trade Ind. and Contracting	795,000	0.652%	554,348	0.326%
27.	Princess Norah Bint Nawaf Bin Mishal Bin Saud Al Saud	530,000	0.435%	369,565	0.217%
28.	Prince Mishal Bin Nawaf Bin Mishal Bin Saud Al Saud	530,000	0.435%	369,565	0.217%
29.	Prince Abdulaziz Bin Nawaf Bin Mishal Bin Saud Al Saud	530,000	0.435%	369,565	0.217%
30.	Sultan Bin Aadi Bin Musleh AlMutairi	397,500	0.326%	277,174	0.163%
31.	Al-Balaha Trading and Marketing Co. for its owner Shafya al-Degaither	263,940	0.217%	184,044	0.108%
32.	Mohammad Bin Abdul Aziz bin Suleiman Al-Saleem	257,580	0.211%	179,609	0.106%
33.	Thamarat Najran Co. Ltd	99,640	0.082%	69,478	0.041%
34.	Prince Nawaf Bin Mishal Bin Saud Al Saud	42,665	0.035%	29,750	0.018%
35.	Ismail Mohammed Amin Hassan	26,500	0.022%	18,478	0.011%
36.	Salman Bin Saleh Bin Hoshan Al Hoshan	7,420	0.006%	5,174	0.003%
37.	Daifullah Bin Omar AlGhamdy	1,060	0.001%	739	0.000%
38.	Fahd Bin Abdullah Bin Abdulaziz Al Rajhi	1,060	0.001%	739	0.000%
39.	Abdulwahab Bin Saud Bin Abdulaziz Al Babtain	1,060	0.001%	739	0.000%
40.	Bader Bin Abdulmuhsin Bin Abdurrhaman AlMuhaisen	1,060	0.001%	739	0.000%
41.	Omar Bin Ali Babtain	1,060	0.001%	739	0.000%
42.	Muhammad Bin Salah al-Din Salhab	1,060	0.001%	739	0.000%
43.	Ali Bin Mohammed Bin Jarallah al-Taweel al-Yami	1,060	0.001%	739	0.000%
44.	Mohammed Bin Rashid Bin Mansour Al-Sharman	1,060	0.001%	739	0.000%
45.	Hussein Bin Mohammad Bin Hadi Al-Yami	1,060	0.001%	739	0.000%
46.	Adel bin Mohammed Jaber al- Gunh Al-Yami	1,060	0.001%	739	0.000%
47.	Abdul Aziz Bin Faris Bin Dawas Al-Yami	1,060	0.001%	739	0.000%
48.	Abdullah bin Jabir bin Abdullah Qonnah	1,060	0.001%	739	0.000%
49.	Public	0	0.000%	85,000,000	50.000%
	Total	**121,900,000**	**100,00%**	**170,000,000**	**100,00%**

The following tables show the shareholding of the corporate shareholders and the percentage of non-direct ownership of the Company.

Abdul Latif Saud Al Babtain and Brothers (Established on 5/2/1388H with a capital of two million (2,000,000) Saudi Riyals)

Partner's Name	Percentage of non-direct ownership	Percentage of ownership
Abdul Latif Bin Saud Bin Abdul Aziz Al Babtain	1.587%	25%
Abdul Wahab Bin Saud Bin Abdul Aziz Al Babtain	1.587%	25%
Abdul Karim Bin Saud Bin Abdul Aziz Al Babtain	1.587%	25%
Abdul Rahman Bin Saud Bin Abdul Aziz Al Babtain	1.587%	25%
Total	**6.347%**	**100%**

SKAB Group Company (Established on 30/11/1428H with a capital of two hundred million (200,000,000) Saudi Riyals)

Partner's Name	Percentage of non-direct ownership	Percentage of ownership
Muhammad Bin Ali Bin Muslim	0.380%	6.25%
Muslim Bin Ali Bin Muslim	0.380%	6.25%
Ibrahim Bin Ali Bin Muslim	0.380%	6.25%
Abdul Aziz Bin Ali Bin Muslim	0.380%	6.25%
Sultan Bin Ali Bin Muslim	0.380%	6.25%
Majid Bin Ali Bin Muslim	0.380%	6.25%
Faisal Bin Ali Bin Muslim	0.380%	6.25%
Hussein Bin Ali Bin Muslim	0.380%	6.25%
Mansour Bin Ali Bin Muslim	0.380%	6.25%
Arafa Bint Ali Bin Muslim	0.190%	3.125%
Fatema Bint Ali Bin Muslim	0.190%	3.125%
Noura Bint Ali Bin Muslim	0.190%	3.125%
Nawal Bint Ali Bin Muslim	0.190%	3.125%
Dalal Bint Ali Bin Muslim	0.190%	3.125%
Lama Bint Ali Bin Muslim	0.190%	3.125%
Kholoud Bint Ali Bin Muslim	0.190%	3.125%
Alhanouf Bint Ali Bin Muslim	0.190%	3.125%
Almaha Bint Ali Bin Muslim	0.190%	3.125%
Alanoud Bint Ali Bin Muslim	0.190%	3.125%
Wadha Hussein Nassib	0.254%	4.1666%s
Fatema Al Sharkh	0.254%	4.1666%
Fayza Ali Al Duweish Al Jarba	0.254%	4.1666%
Total	**6.08%**	**100%**

Abdul Mohsin Abdul Rahman Saleh Al Mohaisen & Sons Holding Company (Established on 11/5/1418H with a capital of seven million five hundred thousand (7,500,000) Saudi Riyals)

Partner’s Name	Percentage of non-direct ownership	Percentage of ownership
Bader Abdul Mohsin Al Mohaisen	0.870%	28.58%
Ahmad Abdul Mohsin Al Mohaisen	0.380%	12.5%
Turki Abdul Mohsin Al Mohaisen	0.380%	12.5%
Faisal Abdul Mohsin Al Mohaisen	0.380%	12.5%
Abdul Rahman Abdul Mohsin Al Mohaisen	0.380%	12.5%
Fatema Abdul Mohsin Al Mohaisen	0.109%	3.57%
Noura Abdul Mohsin Al Mohaisen	0.109%	3.57%
Jawaher Abdul Mohsin Al Mohaisen	0.109%	3.57%
Al Bandary Abdul Mohsin Al Mohaisen	0.109%	3.57%
Nawaf Abdul Mohsin Al Mohaisen	0.109%	3.57%
Alanoud Abdul Mohsin Al Mohaisen	0.109%	3.57%
Total	**3.04%**	**100%**

Abdullah and Saeed Muhammad Abayed Bin Zager Co. Ltd (Established on 4/3/1387H with a capital of nineteen million nine hundred and thirty thousand (19,930,000) Saudi Riyals)

Partner's Name	Percentage of non-direct ownership	Percentage of ownership
Wahib Saeed Bin Zager	0.422%	16.157%
Faisal Saeed Bin Zager Co.	0.422%	16.157%
Muhammad Abeid Bin Saeed Bin Zager	0.422%	16.157%
Abdullah Saeed Bin Zager	0.422%	16.157%
Al Thuraya Developed Commercial Company	0.184%	7.074%
Safeya Bint Saeed Bin Zager	0.184%	7.074%
Sua'd Bint Saeed Bin Zager	0.184%	7.074%
Ulfat Bint Saeed Bin Zager	0.184%	7.074%
Abdul Rahman Bin Abdullah Abar	0.55%	2.123%
Gazy Bin Abdullah Abar	0.55%	2.123%
Abdullah Bin Mahmoud Abar	0.046%	1.769%
Umamah Bint Abdullah Abar	0.028%	1.061%
Total	**2.60%**	**100%**

Faisal Saeed Bin Zager Co. (Established on 10/02/1423H with a capital of five hundred thousand (500,000) Saudi Riyals)

Partner’s Name	Percentage of non-direct ownership	Percentage of ownership
Faisal Saeed Mohamed Obeid Bin Zager	0.357%	84.64%
Ghasi Faisal Saeed Bin Zager	0.028%	6.72%
Nadine Faisal Saeed Bin Zager	0.014%	3.36%
Heba Faisal Saeed Bin Zager	0.014%	3.36%
Fatma Abdullah Mohamed Rafih Al-Nejawi	0.008%	1.92%
Total	**0.422%**	**100%**

Al Thuraya Developed Commercial Company (Established on 9/10/1428H with a capital of five hundred thousand (500,000) Saudi Riyals)

Partner's Name	Percentage of non-direct ownership	Percentage of ownership
Abdullah Mohamed Selim Awad	0.053%	28.571%
Adnan Mohamed Selim Awad	0.053%	28.571%
Huda Mohamed Selim Awad	0.026%	14.286%
Reda Mohamed Selim Awad	0.026%	14.286%
Leyla Mohamed Selim Awad	0.026%	14.286%
Total	**0.184%**	**100%**

Abdul Rahman Abdullah Almousa & Sons Co. Ltd. (Established on 22/11/1422H with a capital of sixty million (60,000,000) Saudi Riyals)

Partner's Name	Percentage of non-direct ownership	Percentage of ownership
Abdul Rahman Abdullah Hamad Almousa	0.652%	50%
Abdullah Abdul Rahman Abdullah Almousa	0.104%	8%
Ahmed Abdul Rahman Abdullah Almousa	0.104%	8%
Osama Abdul Rahman Abdullah Almousa	0.104%	8%
Walid Abdul Rahman Abdullah Almousa	0.104%	8%
Mariem Ahmed Sulaiman Alburak	0.078%	6%
Hayam Abdul Rahman Abdullah Almousa	0.052%	4%
Amira Abdul Rahman Abdullah Almousa	0.052%	4%
Abeer Abdul Rahman Abdullah Almousa	0.052%	4%
Total	**1.30%**	**100%**

Riyadh International Food Co. (Established on 28/1/1414H with a capital of three million (3,000,000) Saudi Riyals)

Partner's Name	Percentage of non-direct ownership	Percentage of ownership
Riyadh International Holding Company for Trade & Contracting	1.174%	90%
His Highness Prince/ Khalid Bin Fahad Bin Faisal Al Farhan Al Saud	0.130%	10%
Total	**1%**	**100%**

Riyadh International Holding Company for Trade & Contracting (Established on 8/8/1413H with a capital of one million (1,000,000) Saudi Riyals)

Owner	Percentage of ownership	Percentage of non-direct ownership
His Highness Prince/ Khalid Bin Fahad Bin Faisal Al Farhan Al Saud	90%	1.057%
His Highness Prince/ Meshal Bin Khalid Bin Fahad Bin Faisal Al Farhan Al Saud	10%	0.117%
TOTAL	**100%**	**1.174%**

Al Saedan Real Estate Company (Established on 17/5/1399H with a capital of three million (3,000,000) Saudi Riyals)

Partner's Name	Percentage of non-direct ownership	Percentage of ownership
Ibrahim Muhammad Abdullah Bin Saedan	1.108%	85%
Bader Ibrahim Muhammad Bin Saedan	0.065%	5%
Ahmad Ibrahim Muhammad Bin Saedan	0.065%	5%
Muhammad Ibrahim Muhammad Bin Saedan	0.065%	5%
Total	**1.304%**	**100%**

Al Marqab Co. for its owner Hend Al Haidar and Partners (Established on 19/10/1407H with a capital of one hundred thousand (100,000) Saudi Riyals)

Partner's Name	Percentage of non-direct ownership	Percentage of ownership
Hend Muhammad Abdul Rahman Al Haidar	0.2725%	25%
Sary Ibrahim Abdul Karem Al Ma'youf	0.326%	30%
Malak Ibrahim Abdul Karem Al Ma'youf	0.163%	15%
Abdul Kareem Ibrahim Abdul Kareem Al Ma'youf	0.326%	30%
Total	**1.087%**	**100%**

Saudi Pan Kingdom Holding Co. (Established on 26/2/1429H with a capital of ten million (10,000,000) Saudi Riyals)

Partner's Name	Percentage of non-direct ownership	Percentage of ownership
Pan Kingdom for Development Holding Co.	0.499%	76.562%
Fahad Bin Jazaa Al Harbi	0.153%	23.438%
Total	**0.652%**	**100%**

Pan Kingdom for Development Holding Co. (Established on 8/7/1427H with a capital of one million five hundred and six thousand and seven hundred and fifty (1,506,750) Saudi Riyals)

Owner	No. of Shares Owned	Percentage of non-direct ownership
Sulaiman Al Harbi	30.61%	0.0153%
Saad Al Sayadi	30.61%	0.0153%
Muslim Al Harbi	30.61%	0.0153%
Abdulwahab Al Saydi	3.92%	0.019%
Turki Al Saydi	1.63%	0.008%
Omar Al Saydi	1.31%	0.007%
Saleh Al Saydi	1.31%	0.007%
TOTAL	**100%**	**0.499%**

Al Trais Saudi Company for Trade, Industry and Contracting (Established on 6/2/1416H with a capital of five hundred thousand (500,000) Saudi Riyals)

Partner's Name	Percentage of non-direct ownership	Percentage of ownership
Salman Salim Trais Al Saedy	0.326%	50%
Muhammad Salim Trais Al Saedy	0.326%	50%
Total	**0.652%**	**100%**

Al Balaha Marketing and Trade Company (Established on 26/6/1432H with a capital of one million (1,000,000) Saudi Riyals)

Partner's Name	Percentage of non-direct ownership	Percentage of ownership
Mohammad Bin Salahuddin Bin Saifuddin Salhab	0.108%	50%
Shafia Saud Abdulaziz Al Dughaither	0.108%	50%
Total	**0.217%**	**100%**

Thamarat Najran Co. Ltd. (Established on 6/1/1426H with a capital of five hundred thousand (500,000) Saudi Riyals)

Partner's Name	Percentage of non-direct ownership	Percentage of ownership
Prince Nawaf Bin Mishal Bin Saud Al Saud	0.041%	50%
Mohammad Bin Mana'a Bin Sultan Aballala	0.041%	50%
Total	**0.082%**	**100%**

3.3 Mission and Strategy

3.3.1 Mission

The Company's mission is to enhance the position of the Company in the immediate markets by reliably providing high quality products, and to adhere to effective commercial practices in a way that maximizes economic benefits for all relevant parties while capitalizing on high demand in promising markets.

3.3.2 Strategy

The Company intends to exhaust its available capacities in neighbouring market segments.

The surplus will be applied to the untapped potential of distant markets through a robust mechanism of logistics[9], without compromising on the quality and utility of service to the ultimate customer.

3.3.3 Products

NCC currently manufactures and markets two types of cement: OPC and SRC.

3.3.4 Ordinary Portland Cement

OPC currently comprises over 90% of the Company's production. To produce one ton of clinker a mixture of limestone and clay or other materials of similar composition and properties is heated to a temperature of 1,350 degrees centigrade. For OPC the mixture consists of 83% limestone, 12% clay, 1.7% of sandstone, 1.8% iron ore and 1% of Bauxite (which is the mineral from which aluminium is derived). The Company has two cement grinding mills (one mill each at the Main Plant and the Grinding Unit).

OPC is suitable for most of the modern conventional types of construction, including all forms of masonry, concrete works, pre-stressed concrete and repair works.

3.3.5 Sulphate Resistant Cement

SRC is used in projects such as dams that are exposed to high amounts of Sulphates. It is also used wherever there are constructions that are in direct contact with clay soil, which contains a large amount of sulphate salt, such as foundations and pillars. SRC consists of 83.3% limestone, 8.45% clay, 4.28% sandstone and 3.94% of iron ore. Clinker is converted to SRC using the same method mentioned for OPC. The Company has produced, through its four mills, 10% of SRC to meet current market demand.

9 The Company has confirmed that it is currently studying a proposal to establish its own transportation company. For this purpose Ernest & Young were engaged to prepare a preliminary report.

3.4 Manufacturing Operations

3.4.1 Line I

Line I has a full production capacity of 6,000 TPD of clinker and a cement grinding capacity of 6,400 TPD.

3.4.1.1 Manufacturing Process Description

The cement manufacturing process consists of the following stages: mining, crushing, grinding and blending, burning, and grinding, followed by packaging. Each of these phases is further explained below.

3.4.1.1.1 Mining Phase

The Company's mining operations are carried out in the Company's quarries, located immediately adjacent to the Main Plant, ensuring the rapid delivery and provision of all the necessary raw materials (limestone, clay, sandstone and gypsum) in a shorter amount of time and at competitive cost for clinker production, utilizing the most economic and efficient mix of equipment and manpower. The Company owns a complete fleet of the best internationally-renowned mining equipment from Caterpillar to ensure the smooth operation of mining activities. Currently the Company owns ten (10) dumpers, three (3) bulldozers, four (4) excavators, one compactor, one motor grader, eight (8) wheel loaders and five steer loaders.

3.4.1.1.2 Crushing

The quarried limestone is then transported to the Main Plant via belt conveyors to a crusher with a capacity of 1,200 TPH. Correctives and additives (clay, iron ore, and gypsum) are brought in trucks to a crusher with a capacity of 450 TPH. A contractor supplies the Company with iron ore, which is brought in via trucks from the Yadamah mines around 200 km away from the Main Plant.

3.4.1.1.3 Grinding and Blending

The quarried materials are transported from the crushers to the warehouses via conveyor belts. They are then distributed into special piston dispensers equipped with scales in order to control mixing percentages. Afterwards, the mixture is transported via conveyor belts to the vertical raw mill, which has a capacity of 500 TPH for grinding. The vertical raw mill is part of the main production line and its main function is grinding raw materials to the required fineness. After the grinding the materials are then stored in homogenous containers and are ready for clinkerisation.

3.4.1.1.4 Heating

Clinker is formed by passing the crushed raw materials into a heat exchanger in a 5-stage process (which involves heating the raw materials in a pre-heater for about five to ten seconds and then heating in a kiln for around 20 minutes). The heat exchanger runs at a capacity of 6,000 TPD and its temperature reaches around 1,350 degrees centrigrade. The raw materials mixture is burned, melted and forms pebbles during the rotation of the kiln. The product is then cooled in a special cooler at the end of the kiln by using outside air.

3.4.1.1.5 Cement Grinding

Clinker is transported to clinker stockpiles by pan conveyors and is then extracted from the stockpile and fed into two closed-circuit ball mills with a capacity of 160 TPH. The grinding mills contain iron balls of various sizes that grind cement when they rotate. Ground cement is fed to the cement silo by a belt bucket elevator.

3.4.1.1.6 Packing and Loading Bagged and Bulk Cement

Cement bags are packed at the packing station by four (4) packing machines, each with a 100 TPH capacity. Bags are automatically loaded on the trucks at a capacity of 2,500 bags per hour with each cement bag being 50 kilograms. Bulk cement is pumped into cement trucks via feeding tubes located under cement stockpiles in bulkers with each bulker being 25 to 30 tons. The Company's currently produces 180,000 tons of bulk cement and 100,000 of bagged cement.

3.4.2 Line II

In general, Line II uses the same technology used in Line I, with a daily capacity of 3,000 TPD of clinker and a cement grinding capacity 5,800 TPD. It is a stand-alone line, save that the corrective/additive crushing and storage facility, utilities, non-plant buildings and the power plant are shared with Line I. Clinker produced by Line II is trucked to the Grinding Unit, where it is ground either for bulk loading, or bagged on site.

3.4.3 Grinding Unit

Clinker from Line II of the Main Plant is received at the Grinding Unit by trucks and unloaded into the dump hopper, after which it is moved by conveyor belts to clinker silos. Once gypsum is added to the clinker, it is ground up in one of two ball grinding mills running at 135 TPH each. The bagged cement is then packaged at the packaging station by two machines, each with a capacity of 100 TPH. The bags are then moved and vehicles are loaded mechanically at a rate of 2,500 bags per hour. Bulk cement is loaded onto transport vehicles through feeding tubes located at the bottom of the cement silos.

3.5 Sales and Marketing

The Company employs a dedicated sales force to market its products effectively. The Company started production of cement in 2008. The Company's sales for 2008, 2009, 2010 and 2011 amounted to 769,000 MT; 1,602,847 MT; 3,044,000 MT, and 3,011,058 MT respectively, of which 40% were bagged cement sales, with the remaining as bulk cement sales. Of the cement sold, 90% was OPC and 10% SRC. Since 2008 the Government has put a ban on cement exports, hence all of the Company's sales are domestic.

3.6 Ancillary Facilities

3.6.1 Power Plants

The Company has a 56-megawatt Heavy Fuel Oil power plant at its Main Plant, which provides all necessary power to Lines I and II and the associated facilities. The Grinding Unit is powered by an independent 21-megawatt Heavy Fuel Oil power plant. Both the heavy oil power plants are operated by Wärtsilä and 0.25 litres of Heavy Fuel Oil is used to produce one unit of power (1Kwh). (*For further information, refer to Section 15.5.2 of the Prospectus.*)

3.6.2 Colony and Residential Facilities

Given the isolated location of the Main Plant, the Company has constructed residential complexes and facilities for on-site personnel; this includes a compound for the plant management with 42 villas and four family housing buildings with 72 units, as well as service facilities comprising a mosque, clinic, shopping centre, restaurant, gymnasium, recreation facility and two schools. There is also accommodation and a restaurant for almost 80 workers at the Grinding Unit.

A separate accommodation complex for approximately 500 workers is adjacent to the plant. This complex includes a mosque, playgrounds and a restaurant.

3.6.3 Head Office of General Management and Other Administrative Buildings

The Company's three-storey headquarter building, located in Najran City, can accommodate around 80 employees and includes a mosque, car park, and a warehouse. Also, both the Main Plant and the Grinding Unit have separate management buildings.

3.7 Technical Operators

NCC has entered into a contract with Holtec Global Company, under which Holtec Global Company provides experienced technical personnel to monitor the operation and maintenance of the Grinding Unit by HCRDI.

NCC has also entered into an operation and maintenance contract with HCRDI, an affiliate of China National Building Materials Group Corporation ("**CNBM**"), under which HCRDI operates and maintains the Grinding Unit. CNBM was incorporated in 1984. Its business activities include the design, manufacture and sales of building materials, cement, composite materials, and glass. It also operates a number of cement plants with a total capacity of more than 160 MTPA.

The Company also has an operation and maintenance contract for electricity power generator stations at the Main Plant as well as the Grinding Unit with Saudi Wärtsilä which represents Wärtsilä Finland, one of the biggest electric motor generator manufacturers in the world.

For more details on these agreements, please see the "Summary of Material Agreements" Section of this Prospectus.

3.8 Contractors

Nesma & Partners Contracting Company Limited, KSA was the Main Contractor for the construction of the Main Plant as well as the Grinding Unit. All machinery for the plant and the Grinding Unit was supplied by CNBM, which served as the subcontractor.

3.8.1 Nesma & Partners Contracting Co. Ltd - The Main Contractor

Nesma & Partners Contracting Co. Ltd. is the engineering and construction division of Nesma Holding Co. Ltd., which has been contributing to Saudi Arabia's industrial and infrastructure sector since 1981 and implements all the building, mechanical, electrical and installation works in the construction and industrial sectors. The following table shows the names of Nesma & Partners Contracting Co. Ltd. shareholders:

Partner's Name	Percentage of non-direct shareholding	Percentage of non-direct ownership
Atheeb Holding Company	None	20%
Rawabi Holding Company	None	20%
Khalid Ali Turki & Sons Company	None	25%
Nesma Holding Company	None	35%
Total		**100%**

3.8.2 China National Building Materials Group Corporation – Lead Subcontractor

CNBM is the lead subcontractor and has supplied, installed, and commissioned all plant equipment and machinery. CNBM is a state-owned enterprise of the People's Republic of China. For more information on CNBM, please see the "Technical Operator" section of this Prospectus.

3.9 Key Major Equipment

Most of the key major equipment installed on Line I, Line II and the Grinding Unit are the main components in investment costs for the cement industry. Such equipment requires substantial capital due to its diversity and specialized nature. These equipments are manufactured by leading Western European or U.S. companies.

The Company is in the process of implementing the ERP system which will improve the management of a broad range of information (such as finance/accounting, manufacturing, sales and service) across the entire organization and this in turn will facilitate the flow of information internally, specifically information relating to all the fixed assets of the Company. Although the implementation of the ERP system began in 2011, certain additional modules (including the fixed asset module) will not be implemented until the end of the first quarter in 2012.

3.10 Memberships and Accreditations

The Company has been a member of the Arab Union of Cement and Building Materials since 2006, and is also a member in the National Committee for Cement Companies which has belonged to the Council of Saudi Chambers of Commerce and Industry since February 2011. The Company is presently in the process of obtaining ISO 9001 for quality management, ISO 14001 for environmental quality management and Saudi Arabian Standards Organization ("**SASO**") accreditation which it is expected to receive at the end of the first quarter in 2012. The Company continuously reviews its safety policies in relation to the production lines to ensure the suitability of such policies.

4. Competitive Advantages

4.1 Overview

The Company believes that it has the following competitive advantages:

- Strategic location
- Availability of large raw materials reserves within close proximity of the Main Plant
- High quality inputs and products
- Modern facilities
- Competitive cost of production
- A qualified and experienced management team
- Qualified and experienced technical operators

4.1.1 Strategic Location

The Company believes that the locations of its Main Plant and Grinding Unit make it well positioned to serve its primary market in the Southern Region, especially in Najran and Asir. In addition, the Company is also positioned to serve other areas in the Saudi market such as the Western Region. The Company's current markets are Najran and Asir in the Southern region and Taif, Makkah and Jeddah in the Western Region. (*For more information on the quantities being sold in each region, refer to Section 6 of the Prospectus.*)

The Company believes that there are sufficient raw material reserves available in the area under the Royalty License for more than fifty (50) years of production, based on anticipated production costs. (*Source: Holtec Study Report.*)

The Grinding Unit is located approximately 300 km west of the Main Plant and 70 km west of Najran on the highway to Khamis Mushait, which makes it closer to the major markets of the Asir region, like Abha and Khamais Mushait, in the Southern Region. The Company expects increasing demand in this region.

4.1.2 Availability of All Raw Materials Necessary for the Cement Industry

A key advantage of the Main Plant is that four of the five major inputs (those being limestone, clay, sandstone and gypsum) are available on the site of concession leased by the company from the MPMR. The Company anticipates that the availability of the four raw materials within a close proximity of the Main Plant will result in lower production costs.

The fifth major input required is iron ore. It should be noted that the quantity of iron ore required is low and the quality required by the Company is found in the clay at the quarry site. The clay at the quarry site contains some iron content. The additional iron ore requirement is met through purchasing from third party suppliers (without any long term supply contracts). The Company currently has enough iron ore stock for the next three years from the year 2011. In the event that there is a shortfall of iron ore the Company has the option to procure the required quantities from other reliable sources if the need arises.

The Company believes that there are sufficient raw material reserves available in the area under the Royalty License for more than fifty (50) years of production, based on the anticipated production levels (*Source: Holtec Feasibility Study Report*).

Reserves of high quality water have also been discovered on the Main Plant site. Three water wells have been drilled to supply water to the Main Plant (where it is used mainly for cooling purposes) and the ancillary service facilities, including the residential facilities.

4.1.3 High Quality Raw Materials and Products

The quality of the limestone and gypsum available at the concession site is high (*Source: Holtec Study Report*). In particular, there are low percentages of alkalis, which reduce the need to process the raw material in a "By-Pass" system to remove these impurities. In addition, the clay has high levels of alumina and iron content, which reduce the amounts of iron ore required to be purchased as an additive and the amount of clay used in the production process.

According to prevailing practices in the Kingdom of Saudi Arabia, the Company's internal quality control process and the internal on-going laboratory testing confirm that its products consistently conform with and exceed the relevant standards established by the American Society for Testing and Materials ("**ASTM**") and British Standards ("**BS**"). At the present time, the Company is working to obtain certification from the Saudi Arabian Standards Organization ("**SASO**"). The Company expects to obtain the SASO certificate by the end of the first quarter of 2012.

4.1.4 Modern Facilities

The Company has modern facilities and production equipment, which are amongst the newest in the Kingdom. The facilities were designed and constructed by a mix of experienced Saudi and Chinese contractors engaged by the Company with key equipment sourced from leading manufacturers in Western Europe and the United States. The Company anticipates that its modern facilities will minimize the risks of disruption while permitting it to maintain high quality operations and production standards.

4.1.5 Competitive Cost of Production

The Company believes that the availability of raw materials within close proximity of the Main Plant will result in comparatively lower production costs on the basis that:

- lower transportation costs and wastage costs associated with such transportation;
- lower fees for limestone exploitation (the Company used to pay low fees for limestone exploitation to the Ministry of Petroleum and Mineral Resources until the end of 2011, as part of a policy to reduce new companies pre-operating fees and expenses for five years. However, it now pays the same fees as other old cement companies);
- the low alkali levels in limestone eliminate the need to run a "By-Pass" to remove impurities, thereby avoiding the additional costs associated with that process;
- the clay deposits contain a considerable percentage of iron oxides, which reduces the quantities of iron ore to be procured from external sources; high quality raw materials enhance the stability of the production process, reducing the risk of production stoppages or difficulties; and
- the stable production process due to the quality of raw materials in turn leads to higher productivity, as well as to savings in fuel consumption.

The availability of major raw materials from the Company's quarries located at the Plant site will significantly help reduce transportation costs compared to other cement producers.

The Company's Main Plant is among the newer installations in the Kingdom therefore the costs of maintenance and repair and any unplanned shutdowns would be less than its competitors who have older facilities.

Due to the distance between the Grinding Unit and the Main Plant the Company incurs an additional transportation cost of SAR 26 (twenty-six Saudi Riyals) per ton of clinker. However, this cost is off-set by Company's sales to customers in the Asir region who enjoy comparative rates and convenient access to the Company's products which in turn has resulted in enhanced market penetration for NCC.

Based on the above factors the Company expects to hold a cost advantage over other Saudi cement producers.

4.1.6 Qualified and Experienced Management Team

The Company possesses an experienced management team with extensive knowledge of the cement industry. The Company's Senior Officers have many years of substantial experience encompassing management, production and sales and marketing aspects of the cement industry. The Company's Senior Officers are supported by experienced employees, with many years of relevant experience gained in similar businesses. (*For more information, refer to Section 8 of the Prospectus.*)

4.1.7 Qualified and Experienced Technical Operators

The monitoring, operations and maintenance of the Company's plants and facilities have been contracted to two internationally experienced and reputable companies:, HCRDI and Wärtsilä. For more information on these companies, please see the "Technical Operator" section of this Prospectus, and for more details on the Operating and Management Agreements, please see the "Summary of Material Agreements" section of this Prospectus.

5. The Saudi Economy

5.1 Economic Overview

Regarding the information about the Saudi Economy and the Cement Industry in KSA within Sections 5 and 6 in the current Prospectus, we encourage readers to review the E&Y market research study in its entirety, which has been included in the Data Room, as the E&Y market research study is the source of all the information contained in both Sections 5 and 6 unless specified otherwise.

Saudi Arabia has an oil-based economy with strong government controls over major economic activities such as drilling, extraction and distribution. It possesses more than 20% of the world's proven petroleum reserves, ranks as the largest exporter of petroleum, and plays a leading role in OPEC. Increased oil prices in the past have helped enhance growth and increase the Saudi government's revenues from foreign assets.

For more than 35 years, Saudi Arabian economic development has been broadly governed by five-year economic development plans. The first five-year plans emphasized the development of the Kingdom's infrastructure, with later plans having an increasing focus on human resource and private-sector development.

Over the past decade, the Saudi Government has placed an emphasis on privatization, particularly in the industrial and agricultural sectors. The Ninth Plan reflects the emphasis placed on economic diversification and the increased importance of developing the non-oil sector in Saudi Arabia.

5.1.1 Gross Domestic Product

Economic activity in Saudi Arabia has steadily gained momentum during 2010. Strong public spending and investment by the Saudi government have served as the springboard to support and boost the recovery in its initial stages, while the Kingdom of Saudi Arabia's oil output has leveled off and has contributed positively to overall economic growth. Activity in the private sector has lagged behind because of tight credit conditions, but is likely to gather pace and, alongside exports and government consumption, help to push real GDP growth to 3.2% in 2010 and approximately 4.5% in 2011.

The following table shows economic indicators in the real and nominal GDP of Saudi Arabia between 2009 and 2011.

Table 5-1: Economic Indicators

Economic Indicators	2009	2010	2011[10]
Real GDP (% change)	0.6	3.2	4.5
Nominal GDP (SAR tn)	1,409.25	1,724.63	1,939.6
Nominal GDP Per Capita (SAR)	55,533	66,603	73,432
Nominal GDP Per Capita (PPP in SAR)	88,083	89,940	92,661

Source: Global Insight[11]

5.1.2 Inflation

Saudi Arabia's inflation rate decreased in 2011 to 5.0%, from 5.4% on an average annual basis in 2010. The inflation rate is expected to rise to 5.2% in 2012 but it is anticipated that the inflation rate will be lower in the coming years. The increase and decrease in the rate of inflation is due to the fluctuation in local demand for commodities which results in the increase and decrease of the prices of food and housing.[12]

10 Figures for 2011 are estimated as actual figures are not yet available.
11 Global Insight is an international global information company with experts in the fields of energy, economics, geo-political risks and other fields.
12 Source: Global Insight

Table 2-5: Inflation (2008-2011)

Economic Indicators	2008	2009	2010	2011
Inflation (% change)	9.9	5.1%	5.4%	5%

Source: Global Insight

5.1.3 Trade and Current Accounts Indicators

After dropping to SAR 99.38 billion (USD 26.5 billion) in 2009, as compared to SAR 496.13 billion (USD 132.3 billion) in 2008, Saudi Arabia's current account surplus bounced back to SAR 215.63 billion (USD 57.5 billion) in 2010, which accounts for 13% of the GDP. This was mainly due to improved oil prices and strong external demand.

During 2011, the current account balance of Saudi Arabia reached SAR 255.15 billion (USD 72.9 billion) which is approximately 14% of the GDP, while the trade surplus edged up to SAR 624.38 billion (USD 166.5 billion), which is approximately 32% of the GDP.

Table: 5-3: KSA – Trade and Current Accounts Indicators (2009G-2011G)

Trade and Current Account	2009	2010	2011
Export of Goods (SAR bn)	711.38	903.75	1,010.83
Import of Goods (SAR bn)	308.62	343.13	390.16
Trade Balance (SAR bn)	402.72	560.63	621.04
Trade Balance (% of GDP)	28.6	32.5	32
Current Account Balance (SAR bn)	99.38	215.63	271.92
Current Account Balance (% of GDP)	7.1	12.5	14

Source: Global Insight

It is expected that higher oil prices and output are likely to continue to lift Saudi Arabia's oil exports, while strengthening global economic activity and trade is expected to provide a boost to Saudi non-oil exports as well. Saudi Arabia's trade and current account balance is projected to remain firm in coming years owing to Saudi Arabia's status as the world's largest oil exporter.

5.2 Economic Diversification

Saudi Arabia is currently exploring new options for economic growth. Industries from mining and minerals to petrochemicals, cement and automotive all are being aggressively pursued by the Government, which is seeking to diversify employment opportunities across all areas. Industrial sectors such as steel, aluminum and cement are all undergoing massive expansion in a bid to meet demand from the booming GCC market.

5.2.1 Construction

Saudi Arabia comprises the largest construction market in the entire Middle East with multi-billion Saudi Riyal projects under way and many more in the planning stage in both the public and the private sectors. The changing skyline along Jeddah's corniche and in Riyadh is witness to the acceleration in construction activity throughout the Kingdom in recent years. Multibillion Saudi Riyal hotel and office building projects are being developed in Riyadh alone.

The Government is continuing with its key industrial and infrastructure projects, such as the Kingdom's economic cities. Existing and planned industrial cities in the Kingdom, in addition to the six economic cities, are expected to contribute to private investment to fuel the drive toward diversification and away from oil dependence.

Construction activity is boosting cement and other building materials sectors. There are major opportunities both in Government and the private sector for investment in these areas and in training services for skilled workers such as electrical and mechanical engineers.

5.2.2 Petrochemicals

With an abundant supply of oil and natural gas, Saudi Arabia has a comparative advantage in the petrochemical sectors and has already developed more than one large petrochemical complex. The Saudi Arabian petrochemical industry has been primarily focused on methanol and ethylene product chains and is mostly managed by joint ventures between Saudi Arabian government firms and major international firms.

5.3 Business Environment

The World Bank in its annual global "Doing Business" report in 2011[13] stated that Saudi Arabia is one of the world's top 10 countries with respect to reform for 2011, advancing to 12th place out of 181 countries as one of the easiest countries in which to conduct business.

According to the World Bank, the Kingdom is first among the Middle East countries and is even ahead of mature economies such as France and Austria. The Kingdom is now aiming to be among the top ten most competitive countries globally by 2012, and is increasingly focusing on building a knowledge-based economy.

5.4 Impact on the Cement Industry

The increase in economic activity will impact different sectors of the economy both directly or indirectly. The Government has announced many mega-projects, such as the economic cities in Rabigh, Jizan, Hail, and Madinah. Accordingly, the Company anticipates that the demand for cement- and construction-related products is expected to remain strong during the coming years. In particular, the Company anticipates that these mega projects will likely create additional opportunities for NCC to supply cement to those projects that are underway or planned in the Southern Region and in the two provinces of Al Riyadh and Makkah. With respect to supplying cement to the province of Al Riyadh and Makkah, the Company will incur a transfer cost of SAR 60 per ton and SAR 70 per ton respectively.

Furthermore, the Ninth Development Plan aims at the following[14]:

- Construct one million residential units in order to serve 80% of the expected housing demand during the years of the Ninth Development Plan (2010-2014) distributed across the different regions of the Kingdom and to be built by the following entities:
  - General Housing Authority: building 66,000 residential units in various areas across the Kingdom
  - Real Estate Development Fund: financing the construction of around 109,000 residential units by offering 90,000 loans in different areas of the Kingdom
  - A number of government agencies: constructing around 50,000 residential units for their employees
  - Private Sector: financing and constructing 775,000 residential units across the various regions of the Kingdom
- The provision of approximately 226 million square meters of land to construct the residential projects expected to be built by both the public and the private sectors throughout the years of the plan in various areas of the Kingdom, in addition to the provision of infrastructure for these projects.
- Enabling the General Housing Authority to complete, during the years of the plan, the engineering designs for all assigned projects and supervising the construction of the residential units, in addition to finalizing the preparation of the Kingdom's housing strategy and carrying out housing studies and research as needed, as well as preparing a housing database.
- Enabling the Ministry of Municipal and Rural Affairs to begin the application of the Saudi Building Code System on the residential sector.

13 www.doingbusiness.org
14 Source: Ministry of Economy and Planning

The table below shows the distribution of the specific objectives for the residential units and land according to the administrative regions and the Administrative Development Plan:

Area	Real Estate Development Fund (1000 Units)	General Housing Authority (1000 Units)	Private sector (1000 units)	Total residential units (1000 Units)*	Residential Land (million square meters)
Riyadh	23	4	198	225	63
Makkah	20	4	229	253	71
Madinah	9	6.5	50	65.5	18.3
Qassim	9	4	32	45	12.6
Eastern District	13.5	4	103	120.5	33.7
Aseer	7	4	52	63	17.6
Tabuk	4.5	4	24	32.5	9.1
Hail	5	6	14	25	7
Northern Border	3	6	7.5	16.5	4.6
Jizan	5	6.5	31	42.5	11.9
Najran	4	6.5	14	24.5	7
Al-Baha	3	4	11.5	18.5	5.1
Al-Jouf	3	6.5	9	18.5	5.1
Total	**109**	**66**	**775**	**950**	**266**

Source: Ministry of Economy and Planning

** 50 thousand units to be added to the total, constructed by governmental agencies for its employees, require plots of residential land of about 14 million square meters.*

6. Cement Sector

6.1 Saudi Arabia Cement Market

6.1.1 *Cement* Consumption

Cement consumption in Saudi Arabia has grown from a level of around 15.9 MT in 2000 to 48.5 MT in 2011. Cement consumption grew steadily from 2001 until 2011, when it reached a high of 48.5 MT mainly because of Government mega-projects.

Table 6-1: Cement Consumption 2000 – 2011 MTPA

Year	Cement Consumption	Growth (%)
2000	15.9	(6)
2001	19.9	25
2002	21.0	6
2003	22.6	8
2004	24.1	7
2005	25.4	5
2006	24.8	(2)
2007	27.1	9
2008	32.4	19
2009	36.7	21
2010	41.2	12
2011	48.5	18

Source: E&Y Cement Market Study

As can be seen from the above table, growth rates in individual years over the past decade have shown wide variation. However, the cumulative annual growth rate for the years 2000 to 2011 is around 10.7%.

6.1.2 Consumption Dispersion

Table 6-2: Consumption[15]

Region	Province	Estimated Market Size 2008 MT	Estimated Market Size 2009 MT	Estimated Market Size 2010 MT	Estimated Market Size 2011 MT[2]	% of Total
Central	Riyadh	8.18	10.20	11.19	13.19	27.1
	Al Qassim	1.84	1.89	2.05	2.41	5.0
	Hail	0.56	1.41	1.54	1.82	3.7
		10.58	**13.5**	**14.78**	**17.42**	**35.8**
Eastern	Al Sharqiyah	4.45	5.41	6.03	7.11	14.6
Northern	Al Jouf	0.56	-	0.61	0.72	1.5
	Northern Frontier	0.22	0.68	0.69	0.81	1.7
		0.78	**6.09**	**1.30**	**1.53**	**3.2**

15 Information for the year 2011, is not available but not yet published. For the purpose of update, the total consumption has been determined to reach 48.5 million tons, and was allocated to each region depending on the volume of consumption in previous years. Numbers will be confirmed as soon as they become available.

Region	Province	Estimated Market Size 2008 MT	Estimated Market Size 2009 MT	Estimated Market Size 2010 MT	Estimated Market Size 2011 MT[2]	% of Total
Western	Makkah Region	8.67	8.0	8.90	10.49	21.6
	Tabuk	0.52	0.97	1.01	1.19	2.5
	Madinah	1.80	2.44	2.70	3.18	6.5
		10.99	**11.41**	**12.61**	**14.86**	**30.6**
Southern	Jizan	1.47	1.56	1.70	2.00	4.1
	Asir	2.54	2.62	2.90	3.42	7.0
	Baha	0.79	0.82	0.83	0.98	2.1
	Najran	0.80	0.70	1.00	1.18	2.4
		5.60	**5.7**	**6.43**	**7.58**	**15.6**
Saudi Arabia		32.40	36.70	41.24	48.50	100

Source: E&Y Cement Market Study

6.1.3 Drivers for Cement Consumption

The most important driver for cement consumption is real estate development and infrastructure. The key drivers for the recent spurt of growth in cement consumption are discussed below. The data used in this discussion has been derived from the E&Y Cement Market Study.

Residential Housing

The residential housing sector has been and remains one of the main drivers of demand. The main factor behind the growth in the residential housing sector is one of the fastest growing populations in the world (with a growth rate of approximately 2% annually). As the population grows, more housing is required. While new residential areas are being developed to meet the need of a growing population, older facilities are also being upgraded and this has also increased the need for cement. The Government is also turning its focus toward housing construction. Various media sources estimate that Saudi Arabia will have a shortage of 1.5 million new homes by 2015 and 4.5 million by 2025. The Saudi Arabian Government is planning to build one million new residential homes by 2014[16].

In February 2011, the capital of the country's real estate development fund was increased by SAR 40 billion to enable the provision of more housing loans. SAR 3.5 billion has also been allocated to help low-income families repair their houses and pay electricity and water bills. The Government has also raised the budget of the General Housing Authority by SAR 15 billion. The General Housing Authority is likely to expedite the awarding of housing projects. In March 2011, through another series of royal decrees, the Government allocated a further SAR 250 billion for the construction of 500,000 residential units throughout the Kingdom of Saudi Arabia.

Currently, approximately SAR 750 billion (USD 200 billion) worth of housing projects are already under construction and a further SAR 1.444 billion (USD 385 billion) development plan has already been approved by the Government. The projected financial requirement for the main development sectors in the Ninth Development Plan of the Kingdom of Saudi Arabia (2010-14) witnessed an increase of 67.2% to SAR 1,444.6 billion (USD 385.2 billion) from SAR 863.9 billion (USD 230.3 billon) in the Eighth Development Plan.

Non-residential building sector

In addition to the residential housing sector, major growth has also been seen in the non-residential building sector. These include commercial projects, office complexes, hypermarkets, school and college buildings and shopping malls. There has been a spurt of investment activity in this sector. Significant initiatives are also planned in Jeddah and at the Jabal Omar Development in Makkah. The proportion of non-residential buildings in the total building sector is reported to have grown in recent years.

16 Source: http://construction.about.com/b/2011/02/23/saudi-arabia-the-ambitious-arabic-development-plan.htm

Infrastructure

Infrastructure spending has historically represented a relatively smaller share of total construction spending, but it has been driving the recent growth of demand for cement. Items under this category include urban development, airports, roads, electricity generation facilities, water treatment plants, sewage systems, and so on. The Ninth Development Plan aims to expand the capacity of dams and desalination plants by 115.2% by 2014. Ports and the railway network, transport and communication development were allocated SAR 111.1 billion (USD 29.6 billion), representing an increase of 96.6% from the previous plan. The transport infrastructure is expected to be enhanced by projects such as Ras Azzour Port and railroad network expansion (including a North-South line, the Al-Harmain High Speed Train, and the Saudi Landbridge Project). Airport projects which are either planned or on-going include King Abdul Aziz airport in Jeddah, and Madinah airport.

6.1.4 Construction Sector

The construction industry has received a significant boost from the Government in recent years due to the Government's strategy of developing a non-petroleum based economy. The Government has drawn up ambitious plans which aim at doubling economic growth over the next two decades, and include increasing the average annual growth rate of the construction sector from 4.9% per annum in the period from 2006 to 2010 to 7.2% in the period from 2010 to 2014 (*Source: Ninth Development Plan*).

Saudi Arabia's construction sector has grown by 6.1% in 2010 compared with 2009 by approximately SAR 7.87 billion (USD 2.11 billion), fuelled by billions of dollars of projects that are either in the pipeline or currently underway. Based on the number of on-going projects, it is expected that the medium-term outlook for Saudi Arabia is likely to be positive, with average real growth of 4% forecast per year between 2011 and 2015 for the construction industry. Industry value, in turn, is forecast to rise from SAR 86.6 billion (USD 23.1 billion) to SAR 121.5 billion (USD 32.4 billion) between 2011 and 2015.

In August 2010, Saudi Arabia's General Authority of Civil Aviation ("**GACA**") invited bids from eight prequalified companies for the development of the first phase of the Medina Airport. The first phase, costing SAR 6.75 billion (USD 1.5 billion), involves development of airside and landside facilities at the airport. GACA has also awarded contracts to boost the on-going development and expansion of King Abdul Aziz International Airport in Jeddah. Four new terminal buildings, a high-speed rail link and a capacity for up to 80 million passengers a year are among the targets proposed for the new Jeddah international airport. Similarly, in September 2010, Saudi Arabia awarded five contracts worth SAR 1,290 billion (USD 344 million) for operation and maintenance of 24 airports across the Kingdom of Saudi Arabia. The five-year contracts cover Prince Mohammed Bin Abdul Aziz International Airport at Madinah and other airports in Al-Ola, Hail, Tabuk, and Al-Wajh. Economic plans include provisions for affordable housing, education facilities, healthcare centres and transport and utilities infrastructure. However, it is not yet clear how this plan fits in with the expenditure outlined in the budget, and whether it stands in addition to previously announced large investment plans. The Saudi Government has planned to spend significant funds on major projects such as roads, railways, ports and new cities in the next five years. This includes mega-real estate and infrastructure development projects. Several "mega-projects" have been announced, such as Medina Knowledge City, King Abdullah Economic City, Jizan Economic City, Prince Abdul Aziz Bin Mousaed Economic City, Eastern Province Economic City and Tabuk Economic City. The construction sector is assisted by the demand for housing. Housing, which is driven primarily by population growth (estimated at 2% annually), is estimated to require 163,500 units annually to meet Saudi Arabia's housing needs, which reached 2.62 million housing units in 2010. Alternative projections based on building permits issued by municipalities indicate 37,000 housing units annually through 2010. These trends in construction point to a robust growth in the demand for cement in Saudi Arabia in the future.

Apart from direct investment in the sector, the construction sector is also fed by other sectors, since all new and expanding sectors, such as the cement, steel and building equipment and materials sectors, require civil works.

Economic recovery is likely to result in increased demand for the cement sector. Cement demand reached 48.5 million tons in 2011, which represents an increase of 17.7% from 2010 levels.

The estimates of future demand have been based on an average correlation of past cement consumption with GDP and population. GDP and population have been considered as the key variables as they demonstrate a high correlation with cement consumption. The cement market in Saudi Arabia is likely to experience unprecedented growth in the coming years owing to recent decrees issued by the Government and potential infrastructure projects planned under the Ninth Development Plan. These factors have also been considered when estimating the projected cement demand during the next period.

Based on the market study report prepared by E&Y cement demand is expected to increase in the future.

6.1.5 Supply

6.1.5.1 Existing Capacity

Until 2007, there were only eight cement manufacturers in Saudi Arabia. Four more companies entered the market in 2008: NCC, Riyadh Cement Company, City Cement Company and Northern Region Cement Company. Al Jouf Cement Company was established in 2010. The 13 companies together possess a total designed production capacity of approximately 47.84 million tons of cement per annum. They do not manufacture cement outside the Kingdom. In recent years, imports of cement into Saudi Arabia have been negligible.

Table 6-5: Saudi Cement Companies (capacity and demand in MTPA according to Regions in 2008-2011)

Name of Producer		Capacity (millions tons)				Demand (million tons)			
		2008G	2009G	2010G	2011G	2008G	2009G	2010G	2011G
1	Saudi Cement Company	4.80	7.68	7.68	7.68				
2	Eastern Province Cement Company	3.20	3.20	3.20	3.20				
Eastern Region Total		**8**	**10.88**	**10.88**	**10.88**	**4.45**	**5.41**	**6.03**	**7.11**
3	Yamama Saudi Cement Company	6.08	6.08	6.08	6.08				
4	Qassim Cement Company	3.52	3.52	3.52	3.52				
5	Riyadh Cement Company	1.6	1.6	3.20	3.20				
6	Madina Cement Company	1.6	1.6	1.60	1.60				
7	Safwa Cement Company	-	-	-	0.44				
Central Region Total		**12.8**	**12.8**	**14.4**	**14.84**	**10.58**	**13.5**	**14.78**	**17.42**
8	Yanbu Cement Company	4.00	4.00	4.00	4.70				
9	Arabian Cement Company	2.80	3.84	3.84	3.84				
Western Region Total		**6.8**	**7.84**	**7.84**	**8.54**	**10.99**	**11.41**	**12.61**	**14.86**
10	Tabuk Cement Company	1.28	1.28	1.28	1.28				
11	Northern Region Cement Company	1.92	1.92	1.92	1.92				

Name of Producer		Capacity (millions tons)				Demand (million tons)			
		2008G	2009G	2010G	2011G	2008G	2009G	2010G	2011G
12	Al Jouf Cement Company	-	-	1.60	1.60				
Northern Region Total		**3.2**	**3.2**	**4.8**	**4.80**	**0.78**	**0.68**	**1.30**	**1.53**
13	Southern Province Cement Company	6.08	6.08	6.08	6.08				
14	Najran Cement Company	2.88	2.88	2.88	2.88				
Southern Region Total		**8.96**	**8.96**	**8.96**	**8.96**	**5.60**	**5.70**	**6.43**	**7.58**
Total in the Kingdom of Saudi Arabia		**39.76**	**43.68**	**46.88**	**48.02**	**32.40**	**36.70**	**41.15**	**48.50**

Source: E&Y Cement Market Study

The table above shows the energy production and consumption of cement in the Kingdom of Saudi Arabia from 2008 till 2011, which showed a surplus of cement for the years 2008, 2009 and 2010 at the Kingdom level, as well as the presence of a minor shortage in the year 2011. In 2011, the central and western regions suffered a shortage of cement as a result of increased demand from major projects and government initiatives recently announced in those areas, while demand exceeded supply in the rest of the kingdom.

In 2011, the production capacity of cement in the southern region has reached 8.96 million tons (about 18.66% of the total capacity in the Kingdom), while it reached 8.54 million tons in the western region (about 17.78% of the total capacity in the Kingdom) as well as the production of 14.84 million tons in the central region (about 30.90% of the total capacity in the Kingdom).

Additional capacity is likely to be provided across Saudi Arabia by both existing market participants and new entrants. The biggest barrier to entry into the cement industry in Saudi Arabia is obtaining a mining lease (or license) from the Ministry of Petroleum & Mineral Resources. This has prevented many projects that were announced earlier from progressing.

The Saudi cement sector's designed capacity increased to 48.02 million tons in 2011 compared to 46.88 million tons in 2010. Yanbu Cement Company has added 0.7 million tons in 2011 while an additional 0.44 million tons has been added by the Al Safwa Cement Company which has started production. Al Safwa Cement Company is a joint venture between members of Al Khayyat Group and Lafarge (a French company that is one of the largest companies in the world for manufacturing building materials) and produces cement in its plants located in North-East Jeddah with a production capacity of 1.9 million tons per annum. The production testing phase of the company started in the beginning of the year 2011G and commercial production started end of May 2011G. [17]

Table 6-6: Anticipated expansion of capacity by existing producers

Name of Producer	Additional capacity expected (millions of tons)	Estimated first year of production
Yanbu Cement Company	2.5	2012
Southern Province Cement Company	1.60	2012
Northern Cement Company	0.96	2013
Najran Cement Company	2.00	2014
Total	**7.06**	

Source: E&Y Cement Market Study

17 http://www.okaz.com.sa/new/Issues/20120105/Con20120105467793.htm

Table 6-7: Anticipated increase of capacity planned by new producers

Name of new Producer	Additional capacity expected (millions of tons)	Estimated first year of production
Al Safwa Cement Company	1.00	2012
Al Baha Cement Company	1.60	2014
Hail Cement Company	1.60	2013
Total	**4.20**	

Source: E&Y Cement Market Study

The following table summarizes the effects of the various capacity additions and the overall production capacity of the cement industry in Saudi Arabia for the year 2012:

Table 6-8: Total anticipated capacity of cement companies in Saudi Arabia 2012

Name of Producer	Cement Production 2012 (millions of tons)
Saudi Cement Company	7.68
Eastern Province Cement Company	3.20
Eastern Region	10.88
Yamama Saudi Cement Company	6.08
Qassim Cement Company	3.52
Riyadh Cement Company	3.20
City Cement Company	1.60
Central Region	14.40
Yanbu Cement Company	7.20
Arabian Cement Company	3.84
Al Safwa Cement Company	1.44
Western Region	12.48
Southern Province Cement Company	7.68
Najran Cement Company	2.88
Southern Region	10.56
Al Jouf Cement Company	1.60
Tabuk Cement Company	1.28
Northern Cement Company	1.92
Northern Region	4.80
Total	**53.12**

Source: E&Y Cement Market Study

6.2 The Target Markets

The Company's Target Markets consist of the Southern Region together with, to a lesser extent, the Western and Central Regions. The Southern Region consists of the provinces of Jizan, Asir, Baha and Najran. Asir is the most populous province in the region, with an estimated population of almost 1.8 million. Jizan is the second most heavily populated province with a population of 1.3 million. The smallest province, in terms of population, is Al Baha. Jizan is considered the most commercially developed city in the region, as most trade takes place through its port.

The Company currently sells cement in Najran and Asir in the southern region, where sales total in 2011 amounted to 863,157 tons of cement which accounted for 29% of total sales, and 875,864 tons of cement which accounted for another 29% of total sales, respectively. In addition, the Company sells cement in the western region, Wadi Al Dawaser, the central region and the eastern region, where total sales in 2011 amounted to 1,088,964 tons of cement which accounted for 35% of total sales, 80,401 tons of cement which accounted for 3% of total sales, 49,343 tons of cement which accounted for 2% of total sales, and 53,329 tons of cement which accounted for 2% of total sales, respectively.

6.2.1 Cement Consumption

Cement consumption in 2011 for the Southern Region was 7.58 million tons (approximately 15.6% of national consumption), with 10.49 million tons consumed in the Western Region (approximately 21.6% of national consumption) and 17.42 million tons consumed in the Central Region (approximately 27.1% of national consumption). The 2009, 2010 and 2011 consumption in the Target Markets is set out below:

Table 6-10: Cement Consumption in the Target Markets

Region	Cities	2009 Consumption (MTPA)	2010 Consumption (MTPA)	2011 Consumption (MTPA)
Western	Makkah	8.00	8.90	10.49
Central	Riyadh	10.2	11.19	13.19
Southern	Jizan	1.56	1.70	2.00
	Asir	2.62	2.90	3.42
	Bahah	0.82	0.83	0.98
	Najran	0.70	1.00	1.18
	Total	**23.9**	**26.52**	**31.26**

Source: E&Y Cement Market Study

6.2.2 Characteristics of the Target Markets

6.2.2.1 Ratios of Products Sold

OPC (which is the most common form of cement used in the Kingdom, and is also appropriate for most types of modern and traditional constructions) constitutes 88% of cement sold in the Southern Region, 75% in Riyadh province and 44% in Makkah province. SRC (which is used in the construction of dams and projects that have direct contact with clay soil) constitutes 12% of cement sold in the Southern Region, 25% in the Riyadh province and 23% in the Makkah province. Portland Pozzolana Cement (which is used in the construction of dams and any other construction affected by moisture and warm environment, and can replace all other types of cement) is sold only in the Makkah province with a market share of 33% and is not manufactured by Najran Cement Company. Bulk cement constitutes approximately 60% of the Company's sales in the Target Markets, while the remaining 40% is bagged, which reflects the ratios of products sold by other companies in the KSA.

6.2.2.2 Prices

On average, prices for SRC exceed prices for OPC by roughly SAR 10 to 20 per ton. When sold in high volumes, bagged prices exceed bulk prices by almost SAR 10 per ton. The following table sets out current cement prices in the target market.

Table 6-11: Cement prices ex-works in 2011 (SAR per ton)

Region	Ordinary Portland Cement		Sulphate Resistant Cement	
	Bulk	Bags	Bulk	Bags
Southern - Najran	250	260	270	280
Southern - Asir	250	260	270	280
Western	250	250	270	280
Central	220	260	250	280

Source: E&Y Cement Market Study

6.2.3 Competition in the Target Markets

The main producers of cement in the Southern Region of Saudi Arabia are currently NCC and the Southern Province Cement Company. The Southern Province Cement Company has three plants in the provinces of Jizan, Asir and Makkah respectively.

NCC has one plant and one grinding unit in Najran.

In the Western Region of Saudi Arabia, the Arabian Cement Company, with a plant at Rabigh, and Yanbu Cement Company, with a plant at Yanbu, are the main producers. Both the Company and the Southern Province Cement Company also supply limited quantities of cement in the Southern Region.

The principal producers of cement in the Central region include the Yamama Cement Company, the City Cement Company and the Riyadh Cement Company. The table below shows the effective supply of cement in the Target Markets. All figures are for 2009, 2010 and 2011.

Table 6-12: Supply in the Target Markets

Plants	Cement Capacity (MTPA) 2009	Cement Capacity (MTPA) 2010	Cement Capacity (MTPA) 2011
Yanbu Cement Company	4.00	4.00	4.70
Arabian Cement Company	3.84	3.84	3.84
Western Region	7.84	7.84	8.54
Yamama Saudi Cement Company	6.08	6.08	6.08
Riyadh Cement Company	1.60	3.20	3.20
City Cement Company	1.60	1.60	1.60
Al Safwa Company	-	-	0.44
Central Region	9.28	10.88	11.32
Southern Province Cement Company	6.08	6.08	6.08
Najran Cement Company	2.88	2.88	2.88
Southern Region	8.96	8.96	8.96
Total	**26.08**	**27.68**	**28.82**

Source: E&Y Cement Market Study

The following table shows the 2011 market shares of the leading cement manufacturers in the Company's target markets.

Table 6-13: Market Shares in the Target Markets

Region	Central	Western	Southern			
Manufacturer	Riyadh	Makkah	Asir	Najran	Bahah	Jizan
Yamama Saudi Cement Company	48%	NA	NA	NA	NA	NA
Saudi Cement Company	22%	2%	NA	NA	NA	NA
Qassim Cement Company	NA	2%	NA	NA	NA	NA
Yanbu Cement Company	NA	32%	NA	NA	NA	NA
Arabian Cement Company	NA	36%	NA	NA	NA	NA
Southern Province Cement Company	NA	9%	75%	NA	100%	82%
Tabuk Cement Company	NA	1%	NA	NA	NA	NA
Riyadh Cement Company	15%	5%	NA	NA	NA	NA
Najran Cement Company	2%	11%	25%	100%	NA	18%
City Cement Company	13%	1%	NA	NA	NA	NA
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: E&Y Cement Market Study

6.2.4 Potential Competitiveness of the Company in the Target Markets

The ability of the Company and its competitors to effectively expand their market share is largely dependent on two factors: the manufacturing costs of cement and the transportation costs from the manufacturing plant to the relevant market. Cement is by its nature relatively expensive to transport. This means that cement companies have an inbuilt competitive advantage in the areas closest to their plants.

The estimated costs of production for the various participants in the Target Markets are set out below.

Table 6-14: Average Production Costs in 2011 (SAR)

	Najran Cement Company	Qassim Cement Company	Yanbu Cement Company	Arabian Cement Company	Southern Province Cement Company	Riyadh Cement Company	Yamama Cement Company	City Cement Company	Al Safwa Cement Company	Saudi Cement Company
Average Cost (SAR)	102	104	102	108	103	102	105	103	103	104

Source: E&Y Cement Market Study

Average estimated freight costs in SAR from the nearest plant of each company to various sub-regions are shown in table below. "NA" indicates that the particular manufacturer does not service that market.

Table 6-15: Average Freight Costs in 2011 (SAR)

Province	Najran Cement Company	Qassim Cement Company	Yanbu Cement Company	Arabian Cement Company	Southern Province Cement Company	Riyadh Cement Company	Yamama Cement Company	City Cement Company	Al Safwa Cement Company	Saudi Cement Company
Riyadh	60	35	NA	NA	NA	20	10	20	NA	40
Baha	55	NA	NA	NA	30	NA	NA	NA	NA	NA
Asir	40	NA	NA	NA	30	NA	NA	NA	NA	NA
Najran	20	NA	NA	NA	NA	NA	NA	NA	NA	NA
Jeddah	75	NA	40	20	40	65	65	65	20	90
Makkah	70	NA	45	25	40	60	60	60	25	85

Source: E&Y Cement Market Study

The selling cost to each market producer of cement in a particular province represents the aggregate of its freight costs and production costs. The following table sets out the costs to the company of selling to each province constituting the Target Markets, set against the costs incurred by its competitors in that province.

Table 6-16: Average Cost to Market per MT in 2011 (SAR)

Market	Najran Cement Company	Qassim Cement Company	Yanbu Cement Company	Arabian Cement Company	Southern Province Cement Company	Riyadh Cement Company	Yamama Cement Company	City Cement Company	Al Safwa Cement Company	Saudi Cement Company
Riyadh	162	139	NA	NA	NA	122	115	123	NA	144
Baha	157	NA	NA	NA	133	NA	NA	NA	NA	NA
Asir	142	NA	NA	NA	133	NA	NA	NA	NA	NA
Najran	122	NA	NA	NA	NA	NA	NA	NA	NA	NA
Jeddah	177	NA	142	128	143	167	170	168	123	194
Makkah	172	NA	147	133	143	162	165	163	128	189

Source: E&Y Cement Market Study

6.2.5 Planned Construction Developments in the Target Markets

Overall, the Company anticipates that developments in the Target Markets will positively impact growth in cement consumption.

6.2.5.1 Jeddah

Jeddah is the second largest city of Saudi Arabia, with a population of 3.2 million. It is both the main seaport and airport for pilgrims visiting the Holy City of Makkah, and a major commercial, industrial and cultural centre, being the country's main trading link with Asia, Africa and Europe. Jeddah has witnessed a real estate boom in recent years, with increases in real estate investments in the city. Eastern parts of Jeddah have also experienced increased activity and rising prices, owing to the municipalities' decision to grant permission for the construction of three-storey buildings in the area. Trade activity has intensified during the last 10 years with the construction of trade centres, supermarkets and wholesale stores. Traditional markets in Jeddah have been reorganized and modernized by the municipality and include gold, silver and currency exchanges and wholesale markets. Apart from these, industrial products include soap, leather, shoes, bricks, tiles, marble, ships, cement, beverages, paints, plastics and many others. Jeddah has also developed into an important financial centre where banks and financial enterprises are active. The Government is planning to develop a SAR 15 billion sports city complex in Jeddah. A mega-project is being planned to transform the western coast into a cultural and tourist centre, as the KSA looks to tap the economic potential of religious tourism. Other projects in Jeddah include airport development, a sea port, an industrial zone, and improvements to the waterfront.

6.2.5.2 Riyadh

Riyadh is the capital and largest city of Saudi Arabia. There are many development projects planned in the city and province in the fields of health, education, water and electricity. The Ar-Riyadh Development Authority is investing SAR 14.31 billion (USD 3.816 billion) in four projects in the capital city. The projects include building the Riyadh Light Railway, extending the Al-Uruba and Abu Bakr Al-Saiddiq roads, building the Riyadh Ring Road, and adding approximately 57,000 sqm of office space to the King Fahd National Library.

6.2.5.3 Jizan

Jizan, with a population of approximately 1.3 million, is the second largest province in the Southern Region. The Jizan port gives the province a strategic position. Major projects approved and proposed for the province include the Jizan Economic City, Jizan Technical College, a new port, a railroad project and an oil refinery.

6.2.5.4 Asir

Asir, with a population of approximately 1.8 million, is the largest province in the Southern Region. Some important projects that have already been kicked off or that are proposed for this province include Abha International Expo Centre, a medical city including 120 primary health care centers and three hospitals, Abha University and eight colleges, Industrial City, and the Khamais Mushaid to Riyadh road (Bridges).

6.2.5.5 Najran

Najran Province has a population of approximately half a million. In recent years, construction activities have increased due to the implementation of several projects by the Government. Some important projects that are proposed in Najran Province are water and sewage treatment projects, the construction of Najran University, development of the Najran Airport, hospitals and school buildings.

6.2.5.6 Al Baha

Al Baha is the smallest province in the Southern Region with a population of less than 0.4 million. No major projects are currently planned for this province.

6.2.6 Future Cement Consumption in the Target Markets

According to the E&Y Cement Market Study at present the Southern Region represents around 15.6% and the Western Region around 30.6% of the national demand for cement. As a result of increased demand from major projects and other recent government initiatives, cement demand in the Target Markets is expected to increase in the next two years.

Based on the forecasts for demand and supply in the Target Markets, it is expected that the demand for cement will continuously exceed the supply for the next two years with the supply finally outpacing the demand in three years from now.

6.3 Conclusion

Cement demand in the Target Markets is expected to increase steadily for the next two (2) years. The Company believes that this steady increase in demand presents a timely opportunity to expand sales and to become a leading producer in its Target Markets.

7. Technical and Management Functions

7.1 Introduction

NCC's technical and management functions consist of the following five divisions:

- Manufacturing Operations;
- Supply Chain;
- Finance;
- Information Technology;
- Human Resources and Ancillary Services.

The management of each division consists of a team of experienced professionals, who report to the Chief Executive Officer ("**CEO**").

7.2 Manufacturing Operations

This Division is responsible for the planning, operation, maintenance and administration of production at the Main Plant and the Grinding Unit, and is staffed by a team of professionals with demonstrated long-term experience in the cement industry.

The Grinding Unit's operating model is based, in part, on the outsourcing of the operation and maintenance functions to a reputable operating company that has an elite group of experienced technical operators. The primary function of this Division is therefore to monitor and evaluate the performance of the operating company, to operate and maintain Lines I and II, and to ensure that the Company's commercial productivity is strictly aligned with the targeted goals of the Company. However, the Company has also leveraged the experience of its current contractors to develop the necessary technical expertise over time amongst its own employees in order to be able to operate the production facilities and the power plant. The Company currently operates Line I and Line II.

The Supply Chain Division is responsible for the planning and effective implementation of the Company's procurement, logistics, marketing and sales, and customer service operations.

7.2.1 Purchase and Contracts Department

The Purchase and Contracts Department supports the Operational and Maintenance Division through contracting for raw materials, equipment, production supplies and spare parts; this process includes resource planning, negotiation, sourcing to local and foreign suppliers, customs clearance, transportation, storage, and handling, as well as quality assurance. In addition, the Purchase and Contracts Department works closely with suppliers to ensure supply continuity and to research new sources and channels to reduce cost and ensure quality.

The Purchase and Contracts Department also oversees purchase and service contracts and mandatory as well as necessary insurance of all kinds. It also coordinates product and operation quality certification with respective agencies such as ISO14001, SASO, ISO9001, etc.

7.2.2 Marketing and Sales Department

The Marketing and Sales department is charged with achieving and maintaining the Company's target market share of the cement industry in Saudi Arabia. This will help the Company's positioning and result in best return for the Shareholders. It develops strategies and plans to promote and advertise the Company's products. It also develops and implements annual and monthly sales promotions and periodic statistics, maintains ongoing relationships with customers and customer communications as well as providing after-sale services.

7.3 Finance

The Finance Department's role is to develop financial strategy, maintain the Company's monetary discipline, promote commercial practices and enforce corporate accountability by effectively engaging cross-functional hierarchies within the Company.

It also contributes to Company-wide strategic initiatives for growth, profitability and sustainability by capitalizing on a broad range of relationships within the business domain inside and outside the Company.

7.3.1 Human Resources and Support Services Department

The Human Resources and Support Services Department is responsible for the recruitment, hiring and training of personnel for all of the Company's diverse business units. It is responsible for the implementation of the Company's personnel policies, and for their regular update to reflect changing needs and circumstances. It also leads employee-related initiatives such as Saudization, training and development.

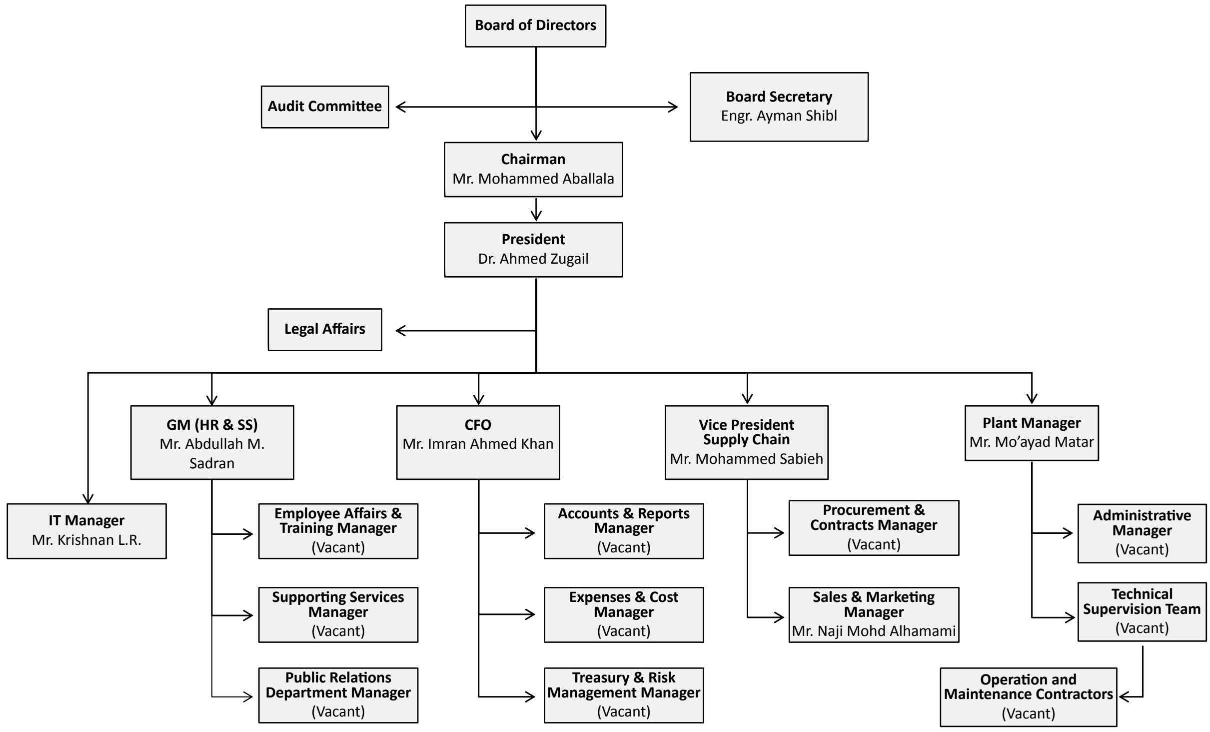
In addition, the Human Resources and Support Services Department is also responsible for the provision of visas, permits, licenses and medical insurance. It also oversees services such as housing, supplies, maintenance, sanitization and transportation for the Company's employees.

7.3.2 Information Technology Department

The Information Technology Department is responsible for all of the Company's IT solutions, including hardware, applications and networking. It is responsible for the planning, development, evaluation, coordination and management of the Company's IT investment policy. It recommends the selection, development, and installation of all IT systems for the company.

8. Corporate Structure and Governance

8.1 Organizational Structure



Source: Najran Cement Company

8.2 Board Members

NCC has a Board of Directors composed of respected individuals in the business community, a number of whom serve on the boards of other public and private companies. The Board members have been with the Company since its inception in 2/10/2005G.

Table 8-1: NCC Board Members

No.	Name	Nationality	Age	% of Direct shareholding	% of indirect shareholding	Title	Capacity
1.	Mohammed Manaa Sultan Aballala	Saudi	51	7.205%	0.041%	Chairman of the Board	Non-executive
2.	Daifullah Bin Omar Al Ghamdi	Saudi	64	0.001%	None	Vice Chairman	Non-executive
3.	Abdul Wahab Saud Al Babtain*	Saudi	66	0.001%	1.587%	Member	Non-executive
4.	Abdullah Bin Salim Bin Wasimer Al Wasimer	Saudi	60	2.017%	None	Member	Non-executive/ Independent
5.	Omar Bin Ali Babtain*	Saudi	53	None	1.523%	Member	Non-executive/ Independent
6.	Fahd Abdullah Al Rajhi	Saudi	49	0.001%	None	Member	Non-executive

No.	Name	Nationality	Age	% of Direct shareholding	% of indirect shareholding	Title	Capacity
7.	Bader Abdul Mohsin Al Mohaisen*	Saudi	36	0.001%	0.870%	Member	Non-executive/ Independent

Source: Najran Cement Company

** Abdul Wahab Al Babtin is a shareholder in Abdullatif Al Babtin and Brothers Company*

**Omar Ali Babtain through his Establishment also owns 1.523% of the shares*

** Bader Abdul Mohsin Al Mohaisen is a shareholder in Al Mohaisen and Sons Holding Co.*

Mohammed Manaa Sultan Aballala – Chairman

Eng. Aballala has been instrumental in leading the formation of the Company in 2005 and throughout all the subsequent phases. Prior to his involvement with NCC, Eng. Aballala served in the General Directorate of Military Works of the Ministry of Defense and Aviation for twenty (20) years. He received a Bachelor's Degree in Political Science from Portland State University in 1983. He also received a Master's Degree in Political Science in 1984 and a Bachelor's Degree in Civil Engineering from Arkansas University.

Dr. Daifullah Bin Omar Al Ghamdi – Vice Chairman

Mr. Al Ghamdi is the Head of the Executive Committee of the Company. He is also a board member of SASCO, a transportation company, as well as the General Manager of ARA International Group. During the past twenty (20) years, Mr. Al Ghamdi worked as a part-time consultant for the General Organization for Social Insurance, as General Manager of Projects and Maintenance Department in King Saud University, as Supervisor of Qassim University Projects, and as Assistant Professor of Civil Engineering at King Saud University. He holds a PhD in Civil Engineering from Michigan State University received in 1984.

Abdul Wahab Saud Al Babtain – Member

Mr. Al-Babtain is a Partner and Executive Director of Al-Babtain Group and Abdul Latif S. Al-Babtain and Brothers Co. Ltd., and is a member of Al-Babtain Plastic and Insulation Materials Manufacturing Ltd., of Al-Babtain Biscuits Manufacturing & Foodstuff Ltd., and of Urethane Saudi Chemical Co. Ltd. He holds a postgraduate degree in Management Studies from Sussex University (UK) received in 1971.

Abdullah Bin Salim Bin Wasimer Al Wasimer – Member

Mr. Al Wasimer is a retired Major General in the Saudi Armed Forces. He graduated from King Faisal Aviation College in 1390H. During the course of his career, he commanded different military formations at different levels in the Ministry of Defence and Aviation. Since retirement from the Saudi Armed Forces, Mr. Al Wasimer has become a businessman and is a co-founder of the Middle East Financial Investment Company.

Omar Bin Ali Babtain – Member

Mr. Al Babtain has a wealth of business experience in a number of industries. He is the CEO of United Medical Group, Chairman of Ali Omar Babtain and Brothers Company, Chairman of Al Salamah Hospital, Chairman of Saudi Establishment and Contracting Co, Chairman of Project Development and Implementation Co Ltd, and Chairman of SIMAT Laboratories Factory. He holds a Bachelor's Degree in Business Administration from Sheffield University (UK) received in 1982.

Fahd Abdullah Al Rajhi – Member

Mr. Al Rajhi is the General Manager of the Treasury and Financial Institutions of Al Rajhi Banking and Investment Corporation. He has been actively involved in promoting and managing the Al-Rajhi family businesses. He holds a BSc in Industrial Management from King Fahd University for Petroleum and Minerals received in 1987 and currently operates his own businesses.

Bader Abdul Mohsin Al Mohaisen – Member

Mr. Al Mohaisen is a Deputy Manager of the Board of Directors of Abdul Mohsin Al Mohaisen & Sons Co. He is also the General Manager of Contracting and Development Company ("CADO"). CADO is considered a leader in the construction, maintenance and operation industry. It was established in 1974 and has successfully implemented many residential and commercial projects such as building homes, commercial buildings and hospitals. Prior to these positions, he worked in various capacities at CADO and the Project Engineering Department at the Ministry of Defense and Aviation. He holds a Bachelor's Degree in Architectural Engineering from King Saud University received in 1997.

8.3 Senior Officers

The Company's Senior Officers have many years of relevant experience, both in the cement industry and other industries.

Table 8-2: NCC Senior Officers

Name	Nationality	Age	Position
Ahmed Bin Abduh Zugail	Saudi	50 Years	CEO
Mahmoud Hamdaan Ali Sbeih	Jordanian	68 Years	Vice CEO
Imran Ahmed Khan	Pakistani	52 years	CFO
Muayad Matar Yousef Suliman	Jordanian	64 Years	Plant Manager
Abdullah Al Sadran	Saudi	48 Years	General Manager of Human Resources and Ancillary services
Naji Mohamed Al Hammami	Saudi	40 Years	Sales and Marketing Manager
L.R. Krishnan	Indian	50 Years	IT Manager

The Company's Senior Officers and the Board secretary have no ownership interests, either direct or indirect, in the Shares of the Company. Furthermore, they do not themselves, nor do any of their relatives or any related party, have direct or indirect interests in the shares or debt instruments of the Company.

Dr. Ahmed Bin Abduh Zugail – CEO (50 Years)

Dr. Zugail is vested with the responsibility for the overall direction and management of the Company, and has served as its CEO since its establishment. He has extensive experience in the cement industry.

Prior to joining the Company, he served for over fourteen (14) years with Yanbu Cement Company, where he occupied positions of increasingly senior responsibility. His last position at Yanbu Cement was Assistant to Director General for Technical Affairs and Projects, in which capacity he headed the Planning and Projects Department and was closely involved in production and maintenance activities of the plant. During this time Dr. Zugail supervised various significant expansion initiatives with a value of approximately SAR. 1.5 Billion.

Prior to that, Dr. Zugail was an Assistant Professor in the Finance and Economics Department at King Fahd University for Petroleum and Minerals. Dr. Zugail holds a PhD in Mineral Economics with a Minor in Operations Research from the Colorado School of Mines, in the United States of America.

Mr. Mahmoud Hamdaan Ali Sbeih – Vice CEO (Supply Chain) (68 Years)

Mr. Sbeih joined NCC in 2009 and runs all operations related to the supply chain. He also advises the CEO with respect to marketing, sales and procurement strategies and plans. He has extensive experience in the cement industry, having begun his professional career in 1979 with the Jordan Cement Company (then an affiliate of Lafarge, one of the world's leading cement producers) as Supply and Administration Manager, rising to the position of Deputy General Manager of Marketing, Sales, and Procurements. He later served for two and a half years as the General Manager of Atbara Cement Company, Sudan. Mr. Sbeih has a BSc in Trade from Alexandria in Egypt, an advanced diploma in Industrial Management from RVB Institute in Delft, Holland.

Imran Ahmed Khan – Finance Manager (CFO) (52 Years)

Mr. Imran joined NCC in 2007 and is responsible for overall financial planning, statutory, financial and accounting systems, compliance, disclosure and reporting. His responsibilities involve strategy and business policy development, performance reporting and operational excellence.

He has more than twenty-five (25) years of experience in the field with companies and leading business groups in Pakistan, and his expertise includes primarily large-scale manufacturing in textiles, chemicals, pharmaceuticals, sugar, steel and cement.

Mr. Imran is a chartered accountant holding a Chartered Accountants Examination Certificate (this certificate is the equivalent of a Master's Degree in Commerce in Pakistan) from the Institute of Chartered Accountants of Pakistan, and is a member of the same institute.

Muayad Matar Yousef Suliman– Plant Manager (64 Years)

Mr. Matar runs all operations of production, maintenance, and ancillary services at the Main Plant and the Grinding Unit, and has an extensive career in the cement industry. Before joining NCC in 2005, Mr. Matar worked for Lafarge Company as Regional Manager responsible for the operation and running of Lafarge's two bagging units in Sudan, in addition to marketing its products. Prior to that, he was the Technical Manager for Atbara Cement Company in Sudan. He also worked as a Technical Consultant with Yanbu Cement for 13 years, during which time his responsibilities included technical supervision of the operations and maintenance at the plant. Mr. Matar began his career in the industry as a Quality Manager at Jordan Cement Company. Mr. Matar holds a BEng in Chemical and Metallurgical Sciences from the Ss Ciril and Methodius University in the former Yugoslavia.

Abdullah Al Sadran – General Manager of Human Resources and Ancillary services (48 Years)

Mr. Al-Sadran joined NCC in 2007 and is responsible for management of human resources and ancillary services. Prior to joining the Company, he had seventeen (17) years of experience in administrative affairs and services with major national enterprises, including Saudi Al Amoudi Group and Coca Cola KSA. He holds a BA in Mass Communications, with a specialization in Journalism, from King Saud University.

Naji Mohamed Al-Hammami – Sales and Marketing Manager (40 Years)

Mr. Al-Hammami joined NCC in 2007. He began as Local Sales Manager then was promoted to the position of Sales and Marketing Manager. Mr. Al-Hammami previously assumed many roles over eight years in sales in the Southern Region with some of the major milk and juice production companies in the KSA. Mr. Al-Hammami holds a degree in Marketing from the Institute of Commercial Management (ICM) in the UK. He has participated in many training courses and seminars in the field of sales and marketing strategies inside and outside the Kingdom of Saudi Arabia.

L.R. Krishnan – IT Manager (50 Years)

Mr. Laxminaryanapuram Raman Krishnan has been with NCC as Information Technology Manager since September 2007. Prior to that, he worked with Khorakiwala Al-Basti, a Swiss Corporation operating in the UAE, as Group MIS Manager. From 1988 to 2005, Mr. Krishnan worked with Yanbu Cement Company as Deputy Chief of Information Systems. Mr. Krishnan holds a BSc from Bombay University.

8.4 Corporate Governance

The Company realizes that corporate governance provides the structure through which the Company's objectives are set, and the means of achieving these objectives and monitoring performance. Corporate governance is fundamentally concerned with creating Shareholder value while focusing on the interests of the Company's employees, customers and suppliers. A good corporate governance system provides accountability and control systems for the Company's activities and for individuals which are commensurate with the risks involved.

NCC and the Board members are committed to high standards of corporate governance and have put in place policies that, it believes, comply with the Corporate Governance Guidelines and with the obligatory and advisory provisions of the list issued by the CMA. The Company has a clear division of responsibilities between the Board and its Management. Key roles of the Board of Directors include defining the Company's mission, goals, and strategic objectives, providing strategic guidelines and assuring the efficiency and effectiveness of the overall planning system. The Board is responsible for appointing the key personnel of the Company and ensuring that all necessary resources are available and developed in the best way possible. The Board continuously assesses the Company's business activities, accomplishments and investments. The Company adopts effective internal control systems in all its departments and currently has three committees in place to review the Company's operations within their particular areas of expertise and to present their reports on their findings and suggestions to the Board.

The Board of the Company are in compliance with Articles 69 and 70 of the Companies Regulations and with Article 18 of the Corporate Governance Regulations. According to Article 69 of the Companies Regulations, a Board member may not have any interest, whether directly or indirectly, in the transactions and contracts made for the account of the Company, except with authorization from the Ordinary General Assembly, which shall be renewed annually. Transactions made by way of public bidding shall, however, be excluded from this prohibition, if the Board member has submitted the best offer. Contracts related to those operations are subject to a vote by the shareholders during the Ordinary General Assembly. The Board member must declare to the Board any personal interest he may have in the transactions or contracts made for the account of the Company. Such declarations must be recorded in the minutes of the Board meeting and the Board member in question shall not vote for the relevant resolution. The Chairman shall communicate to the Ordinary General Assembly (when it convenes) the transactions and contracts in which any Board member has a personal interest. Such communication shall be accompanied by a special report from the auditor.

Article 70 of the Companies Regulations provides that a Board member may participate in any business that competes with the business of the Company or engage in any commercial activities carried out by the Company unless such member receives authorization from the Ordinary General Assembly (renewed annually),otherwise, the Company shall have the right either to claim damages from him or to consider the operations he has conducted for his own account as having been conducted for the account of the Company.

Article 18 of the Corporate Governance Regulations relates to the same matters stated under Articles 69 and 70 of the Companies Regulations, and add that the Company will not grant a cash loan whatsoever to any of the Board members or give a guarantee in respect of a loan entered into by a Board member with third parties.

The Board also complies with Articles 9 (*Disclosure in the Board of Directors' Report*), 10(b) relating to the development of rules and controls of internal control and their general supervision, 12(c) and (d) relating to formation of the Board, 14 (*Audit Committee*) and 15 (*Nomination and Remuneration Committee*) of the Corporate Governance Regulations.

The Board has established a number of committees, as required, to ensure that it maintains high standards of corporate governance. The following committees have been established:

8.5 Executive Committee

The Board of Directors has appointed an Executive Committee comprising three (3) Directors. The Executive Committee is responsible for the follow-up and execution of the Board's decisions. Meetings of the Executive Committee are convened by its President. The Committee's members' appointment, remuneration, function, competences and responsibilities are recorded in the minutes of a Board resolution. The Committee has authority in respect of all related matters concerning NCC investments.

Table 8-2: Executive Committee Members

Role	Name
Chair	Dr. Daifullah Bin Omar Al Ghamdi
Member	Fahd Abdullah Al Rajhi
Member	Abdullah Bin Salim Bin Wasimer Al Wasimer

Source: Najran Cement Company

8.6 Audit Committee

The Audit Committee oversees the financial, risk management and internal controls aspects of the Company's operations. Its responsibilities include the review and discussion of the Company's interim and annual financial statements. The Audit Committee oversees the Company's external auditors and reviews the effectiveness of external and internal audits and has the authority to engage such external experts as it considers necessary to discharge its responsibilities regarding the financial affairs of the Company. It also has the responsibility of reviewing the effectiveness of the Company's system of internal controls, accounting information systems and finance department competencies and capabilities in light of compliance with generally accepted accounting standards. The duties and responsibilities of the audit committee also include the following:

- To review and adopt the annual plan for the management of internal audit.
- To study the observations made by internal and external auditors concerning the policies, rules and functions of internal audit, and make recommendations thereon to the Board.
- To study the applications and compensations for the external auditor's post, and to nominate the appropriate external auditor of the Board, in preparation for presenting the issue to the General Assembly.
- To review the functions and plan of the external auditor.
- To liaise between the external auditors, if there is more than one external auditor.
- To review the financial disclosure delivered by the management of the Company to the external auditor and express its opinion thereon to the Board.
- To review reports submitted by the external auditor and make recommendations thereon to the Board.
- To meet with the external auditor to discuss the Company's financial statements and ensure that they correctly reflect the financial position of Company.
- To evaluate the performance of the external auditor and make recommendations to the Board.
- To review the Company's quarterly and annual financial reports and report accordingly to the Board.
- To review reports on the extent of compliance by the Company's management with financial systems and regulations issued by regulatory bodies and on the responsiveness of the Company to regulatory body requests by such; and to provide views on this matter to the Board.
- To obtain assurances from the Company's Management, the internal audit and the external auditor that the systems and procedures of internal control are consistent with the needs of the Company, are designed in accordance with Saudi auditing standards and are applied effectively.
- To obtain assurances from the Company's Management, the internal auditor and the external auditor on the adequacy and security of information systems.
- To consider conflicts that may arise between the external auditor and the Company's Management or between one of them and the internal audit with respect to procedures and results of the preparation of periodic or annual financial statements.
- To study applications submitted for the position of Internal Auditor and make recommendation thereon to the Board of Directors.
- To assess the performance and independence of the internal audit function.
- To assess the availability of adequate resources for the internal audit function.
- To review the plans and guidelines to be followed in the event of an unexpected inspection of accounts and inventory of assets, and to determine whether risk management policies and standards are being implemented.
- To review inspection and inventory reports and follow up actions taken by the Company's management around the observations contained therein.
- To review and evaluate any proposals made by the Company's management on policies, standards and procedures related to financial and accounting aspects and risk management, and to make recommendations thereon to the Board

Table 8-3: Audit Committee Members

Role	Name
Chair (Independent)	Ismail Amin
Member	Omar Bin Ali Babtain
Member	Bader Bin Abdul Mohsin Al Mohaisen

Source: Najran Cement Company

Ismail Amin is a Bahraini national who is an accountant and a business consultant. He joined Ernest & Young in 1967 and became a partner in 1976. He was the Chairman and Chief Executive Officer for the Middle East region for five (5) consecutive terms (each term lasting three (3) years). He retired from Ernest & Young in 1999. He served as a member of Islamic Banks Advisory Council, founding member of the Accounting and Audit Organization for Islamic Financial Institutions (AAOIFI), Assistant Secretary General of the Association of Arab Accountants and Auditors, President of the Bahrain Society of Accountants and Auditors, and founding member of the GCC Organization for Auditing and Accounting.

Mr. Amin holds a BSc degree in Business Administration from Kennedy Western University Idaho, which he received in 1991 and has been a Member of Institute of Management Accountants since 1981.

For more details on the qualifications and experience of the other members of the Audit Committee, please refer to Section 9.2 above.

Currently, NCC has outsourced the internal audit functions to Ernest & Young.

8.7 Nomination and Remuneration Committee

The Nomination and Remuneration Committee decides on how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the approval of the Board, to address how the Board is enhancing the Company's long-term Shareholders' value. The performance evaluation will also include consideration of the Company's Share price performance over a five-year period vis-à-vis the Tadawul All-Share Index and a benchmark index of the Company's industry peers. Furthermore, the committee is responsible for all matters related to human resources including the review of human resources management systems and organizational charts to identify areas requiring improvement. The committee is also responsible for reviewing the Company's Saudization ratio to ensure compliance with existing regulations. The duties of the Nomination and Remuneration Committee also include the following:

- To study nominations for membership to the Board and make recommendations thereon to the Board.
- To periodically review the capabilities and skills needed for membership in the Board; to determine the time that needs to be devoted by every Director; and to make appropriate proposals to the Board.
- To review the structure of the Board and the governance system and make recommendations regarding possible changes to the Board.
- To identify the strengths and weaknesses of the Board's composition and to make proposals for the Board to address them in line with the interests of the Company.
- To ensure the independence of independent Directors and the absence of any conflict of interest, where topics are presented to the Board and said Director serves on the board of another company.
- To study proposals concerning the compensation and remuneration of the Directors and to submit proposals thereon to the Board.
- To study the nomination of candidates for senior executive positions in the Company; to determine their salaries and remunerations and to submit appropriate proposals to the Board.
- To study regulations on human resources in the Company and make suggestions thereon to the Board.
- To study subjects assigned by the Board.
- To perform an annual assessment of its performance as a committee and to present it to the Board.

Table 8-4: Nomination and Remuneration Committee Members

Role	Name
Chair	Abdul Wahab Saud Al Babtain
Member	Omar Bin Ali Bin Babtain
Member	Abdullah Bin Salim Bin Wasimer Al Wasimer

Source: Najran Cement Company

8.8 Company's Undertakings Post Listing

The Company undertakes to fulfil the following, after it is listed:

- To prepare the Company's Corporate Governance procedures, which shall include the requirements stipulated under the whole of the Corporate Governance Regulations issued by the CMA. Such procedures shall be adopted in a General Assembly within a period of one year following the date of listing of the Company in the market.
- To modify the voting method stated in the Bylaws to adopt by holding an Extraordinary General Assembly[18]. The Committee will receive a schedule to implement the cumulative voting method[19]. The Company will announce the time, place and agenda of the Extraordinary General Assembly twenty-five (25) days prior to its date, within a period of one year following the date of listing the Company in the market.
- To invite the General Assembly to issue rules for the selection of members of the Remuneration and Compensation Committee and the Audit Committee, including the appointment of the members, membership duration and the tasks, within six (6) months following the date of listing of the Company in the market and the CMA will be provided with these rules after their adoption by the Assembly.
- To provide the CMA with a timetable in regards of the Corporate Governance requirements that the Company has not yet approved, which the Company has pledged to abide by under Form (8) issued by the CMA after the listing of the Company.
- To provide the Corporate Governance Department with the date of the first upcoming General Assembly after the listing of the Company, so that the Department can arrange for it to attend.

8.9 Duties of Board Members

The Board of Directors are appointed through the General Assembly Meeting, and the responsibilities of the Board of Directors are governed by the Company's Bylaws. The current Board members have been appointed for a term of three (3) years from 28/8/1431H (corresponding to 9/8/2010G). The following is a summary of the duties and responsibilities of the Board members.

8.9.1 Chairman

- To stay abreast of the practices and latest developments of senior management systems in similar institutions, and to seek to implement such best practices in the Company.
- To direct the Board to review and follow up the implementation of strategies, policies and programs adopted by the Company.
- To ensure the independence of the Board in taking the appropriate decisions among those submitted by the Company's Management.
- To follow up and assess the overall performance of the Company and the CEO, and through the CEO, the performance of the Senior Officers.
- To coordinate with the CEO in order to provide the Directors with complete information in a timely manner on the topics raised by the Board in order to assist them in the decision making process.
- To coordinate with the CEO in preparing a presentations on the Company to new members of the Board and its committees, and to encourage current members to continuously update their information on the Company's work and activities in various areas, particularly with regard to the cement industry.

18 Cumulative voting is a method that grants each Shareholder a voting right according to the number of Shares that he owns, through which he is either entitled to vote for one nominee or to divide his votes among the nominees that the Shareholder selects, without any repetition of such votes.

19 Based on a circular by the Ministry of Commerce and Industry to all listed companies (no. 222/2929) dated 1/3/1433H, requesting all listed companies to apply the method of cumulative voting for the appointment of board members and to amend the bylaws of the companies to include cumulative voting method.

- To determine the annual calendar and agendas of meetings to be held by the Board and the assemblies of Shareholders, in coordination with the Directors and the CEO, and to add any topics on the agenda of the Assembly if requested to do so by any of the Shareholders representing at least 5% of the Company's capital.
- To participate in the meetings of the committees of the Board, where appropriate.
- To manage Board meetings effectively and to follow up on the work of the committees'.
- To prepare the meetings of the Board and shareholder assemblies, in coordination with the CEO, and to follow up the implementation of their decisions.
- To make sure that the CMA has been provided with a copy of the minutes of meetings of the shareholder assemblies within ten days of said meeting.
- To make sure that the CMA has been provided with the results of shareholder assemblies, as soon as completed.

8.9.2 Secretary

Ayman AlShibl is a Saudi national who received his BSc Degree in Civil Engineering from King Saud University in 1984. He is the chairman of Saudi Superlit Company, the general manager of Thamarat Najran Company, the President and CEO of United Medical Group Co. Ltd. and a board member in Al Masane Al Kobra Mining Company. His duties as secretary to the Board include:

- To arrange Board meetings and ensure the all the requirements in accordance with the Company's By-laws are met;
- To prepare provide the members of the Board with an agenda of meetings;
- To record the minutes of Board meetings; and
- To correspond with governmental agencies on behalf of the Board and as directed by the Chairman.

8.9.3 Directors

- To ensure the overall supervision of the Company's activities.
- To direct the CEO in overseeing the implementation of day-to-day activities.
- To appoint the Company's CEO and determine his conditions of service, salary and remuneration.
- To clearly define the functions and powers of the Company's CEO.
- To adopt and evaluate the general and periodic objectives and strategic plans of the Company as well as performance standards, and to ensure that the Management is working accordingly.
- In its ordinary meetings, to focus on reviewing reports on Company's performance and related matters, such as the level and quality of production, assets utilization, marketing relations and matters related to the cement market and competitors; to take appropriate decisions thereon and make sure they are implemented.
- To ensure that the Management is implementing all policies, strategies, plans, programs, regulations and procedures governing the work of the Company with the highest level of transparency and commitment.
- To ensure that the Management is careful to protect shareholders' interests and investments in the Company from any major risks and to develop effective and appropriate systems to prevent such risks.
- To review and verify the effectiveness of the internal auditing system on an annual basis with regard to financial and operational aspects, implementation of rules and regulations and performance effectiveness.
- To issue all rules and internal regulations governing the work of the Company and to encourage the Management to continuously make appropriate adjustments thereto, in order to optimize the effectiveness of Company's performance.
- To adopt clear mechanisms and procedures for implementing the principles of internal audit, financial reporting, and the relationship with the external auditors of the Company.
- To adopt the draft annual budget of the Company.
- To review and adopt annual and periodic reports on the activities and achievements of the Company and to provide the Company's Shareholders with complete and comprehensible information on the results of the Company's performance and an assessment of its overall performance.
- To conduct an annual assessment of the performance of the Board and its committees.
- To conduct an annual assessment of CEO performance and to link it to the overall performance of the Company.

- To oversee the preparation of the Company's budget, the profit and loss account and a report on the activity of the Company for the preceding fiscal year, and to present the same to the General Assembly of the Company.
- To support the Management of the Company by providing the technical, financial and human resources required to achieve the Company's objectives, strategies, plans and programs.
- To convene a meeting of the Ordinary General Assembly if the number of Directors falls below the quorum required for the valid appointment of Directors, or if requested to do so by the External Auditor or by a number of shareholders representing at least 5% of the Company's capital.

8.9.4 President and CEO

The Company has signed a contract with the CEO (Dr. Ahmed Zugail) on November 1, 2006, which has a fixed five (5) year term. The contract was renewed for an additional period of one year in November 2011.

The duties and responsibilities of the President and CEO include:

- To work on achieving the Company's objectives, and to develop its vision, mission, objectives and strategies towards better performance.
- To oversee the preparation of the Company's strategy, plans, programs and budget, and ensure their implementation.
- To directly supervise the Management; to follow up the implementation of policies and decisions taken by the Board or Shareholders Assemblies; and to inform the Board about them.
- To represent the Company at meetings and sign agreements entered into between the Company and third parties, in accordance with the instructions of the Chairman of the Board.
- To ensure the effective implementation of accounting, control, and technical systems as well as quality and environment protection systems.
- To make sure that the Company's products have been managed in the best way to ensure competition and quality, with the highest return and the lowest level of risk of loss, for the benefit of the Company and its Shareholders.
- To prepare quarterly and annual reports and present them to the Board, including achievements, constraints, and proposals for appropriate solutions.
- To continuously coordinate with the Chairman of the Board and the chairmen of the Board committees to provide the Chairman of the Board, the Directors and the chairmen of the committees with accurate and relevant information on the issues under examination by the Board and its committees, to assist them in carrying out their functions promptly and taking appropriate decisions.
- To propose rules and internal regulations governing the work of the Company, and to submit them to the Board for approval.
- To ensure the availability of a workforce plan and precise career paths that guarantee the continuous availability of qualified cadres to fill leadership positions in the Company.
- To develop an organizational culture within the Company that can transform the Company into a centre of excellence in the cement industry, and to strengthen its relationship with Shareholders and customers.
- To build an outstanding reputation for the Company by communicating its services and achievements.
- To oversee the on-going modernization of the work method, procedures, systems and regulations in the Company, in order to increase its effectiveness.
- Any other functions, as assigned by the Board.

8.10 Declaration in Respect of Directors, Senior Officers and Company Secretary

The Chairman of the Board of Directors, the Chief Financial Officer and the members and secretary of the Board of Directors declare the following:

- they have not at any time declared bankruptcy or been subject to bankruptcy proceedings;
- excluding what is stated in this Prospectus (section 15.2 on page 101), they do not themselves, nor do any of their relatives or any related party have any material interest in the Company via any oral or written contract or current or expected arrangement of any significant importance to the Company at the time of the publication of this Prospectus;

- no fundamental change in the financial and commercial position of the Company has occurred and there is no intention or directive to make any fundamental change to the nature of the activity of the Company as of the date of this Prospectus;
- save as disclosed in this Prospectus on page xvi, there has been no interruption in the business of the Company which may have or have had a significant effect on the financial poistion in the last twelve (12) months prior to the date of the Prospectus;
- excluding what is stated in this Prospectus, they do not themselves, nor do any of their relatives or any related party, have direct or indirect interests in the shares or debt instruments of the Company; and
- the members of the Board of Directors declare that no commissions, discounts, brokerages or other non-cash compensation have been granted within the two (2) years immediately preceding the application for listing in connection with the issue or sale of any securities by the Company to any Director or any Senior Officer, or any Advisor or any expert (refer to sections 9.1, 12.1 and 15.1 of the Prospectus).

8.10.1 Conflict of Interest

In addition to the aforementioned declarations, the Chairman of the Board of Directors, the CEO, the members of the Board of Directors, the senior management of the Company, and the secretary of the Board of Directors declare the following:

- the founding documents of the Company do not grant any powers enabling any of the members of the Board of Directors to vote on any contract, bid or proposal in which they have a fundamental interest;
- no powers exist giving one of the members of the Board of Directors or the CEO the right to vote on the remuneration granted to them;
- the founding documents of the Company do not grant any powers enabling any of the members of the Board of Directors to vote on compensation related to them, or allowing a member of the Board of Directions to borrow money from the Company;
- the Company shall not provide financial compensation or loans of any kind to any member of its Board of Directors;
- non-participation without authorization from the Ordinary General Assembly renewed annually in any activity competing with the activity of the Company or in any commercial activities engaged in by the Company.

Members of the Board of Directors shall declare to the Board any personal interests they might have in transactions or contracts made to the Company's account. Such declarations are recorded in the minutes of the Board's meetings. Members of the relevant Board pledge to not participate in voting on the resolution related to them. The Chairman of the Board shall notify the Ordinary General Assembly (upon its convening) of the transactions and contracts in which any member of the Board of Directors has a personal interest. This notification must be accompanied by a special report from the auditor.

8.11 Remuneration of Directors and Senior Officers

The Remuneration of the Board of Directors has been set in the Company's Bylaws as to not exceed ten percent (10%) of the Company's net profit after deducting expenses, statutory reserves and distribution of at least 5% of the Company's net profit to shareholders. Total remuneration of the Company's Directors for the years ending 31 December 2011, 2010, 2009 and 2008 amounted to SAR 1,400,000, SAR 1,400,000, SAR 1,532,000 (SAR 1,400,000 as remuneration and SAR 132,000 as attendance fees) and 1,481,000 (SAR 1,400,000 as remuneration and SAR 81,000 as attendance fees) respectively. Of this SAR 1,400,000 was paid as directors fees in each year with the balance being paid in attendance fees. The attendance fees for 2010 were paid to the directors in 2011. The following tables shows details of the remuneration of the members of the Board and senior officers for years 2009G, 2010G and 2011G respectively.

Type (2009G)	Executive Board Members	Non Executive/Independent Board Members	Five of the Senior Officers who Have Received Remunerations
Remunerations	-	-	2,508,000
Allowances	-	132,000	319,506
Periodic and Annual Bonuses	-	1,400,000	-
Preparatory Plans	-	-	-
Any Compensation or Benefits Paid Monthly or Annually	-	-	-
Total		**1,532,000**	**2,827,506**

Type (2010G)	Executive Board Members	Non Executive/Independent Board Members	Five of the Senior Officers who Have Received Remunerations
Remunerations	-	-	2,856,000
Allowances	-	-	386,004
Periodic and Annual Bonuses	-	1,400,000	
Preparatory Plans	-	-	
Any Compensation or Benefits Paid Monthly or Annually	-	-	
Total		**1,400,000**	**3,242,004**

Type (2011G)	Executive Board Members	Non Executive/Independent Board Members	Five of the Senior Officers who Have Received Remunerations
Remunerations	-	-	2,996,000
Allowances	-	162,000	656,000
Periodic and Annual Bonuses	-	1,400,000	-
Preparatory Plans	-	-	-
Any Compensation or Benefits Paid Monthly or Annually	-	-	-
Total		**1,562,000**	**3,652,000**

Source: Najran Cement Company

8.12 Employees

As of 17 January 2012, NCC had 897 employees, 248 of which are Saudi nationals, representing 29.61%[20] of the total workforce with the remaining 649 being non-Saudis. The Company continuously pursues recruiting and maintaining experienced Saudi nationals. Training programs are in place to develop the skill and competency of its national employees.

Table 8-5: NCC Employees (excluding Holtec, HCRDI and Wärtsilä employees)

	2012		2011		2010		2009		2008	
	No.	%	No.	%	No.	%	No.	%	No.	%
Saudi	248	29.61	247	40.63	232	40	141	35	105	27
Non-Saudi	649	70.39	361	59.37	350	60	266	65	178	63
Total	897	100	608	100	582	100	407	100	283	100

Source: Najran Cement Company

The strength and success of NCC lie in the expertise and experience of its employees. As the cement industry is relatively technical, it is important for any cement company to have a large composition of technical professionals and semi-skilled employees. The technical professionals and skilled employees have to undergo various training regimes and certifications by the appropriate institutional bodies.

The table below illustrates the Company's present workforce, broken down by department.

Table 8-6: Saudization by Division (excluding Holtec , HCRDI and Wärtsilä employees)

	2010				2011				2012			
	Saudi	%	Non-Saudi	%	Saudi	%	Non-Saudi	%	Saudi	%	Non-Saudi	%
Operational and Maintenance Division	47	14.64	274	85.36	47	14.07	287	85.93	49	12.69	337	87.31
Supply Chain Division	41	63.07	24	36.93	38	71.70	15	28.30	38	71.69	15	28.31
Management and Ancillary Services Division	142	73.57	51	26.42	162	73.30	59	26.70	163	72.44	62	27.56
Total	**230**		**349**		**247**		**361**		**250**		**414**	

Source: Najran Cement Company

8.13 Saudization Policies

Approximately 29.61%21 of the Company's employees are Saudi nationals as of 17 January 2012. The Company is fully committed to achieving the national goal of Saudization. For this reason, training and the development of Saudi skills and capabilities are the highest priority of the Company. The Company has worked closely with the Ministry of Labour in this regard and the Company has implemented a comprehensive plan to increase the Saudization percentage progressively to achieve and exceed the national goal. The Company has been issued with a certificate from the Ministry of Labour confirming that it has complied with applicable Saudization requirements. The certificate is dated 27/11/1432H and expires six (6) months later on 27/5/1433H. In the last few years, the Company has succeeded in attracting many qualified Saudi professionals in senior positions. By identifying their potential abilities, the Company has been able to assist them to attain additional skills and knowledge for further career development in the organization. The Company's healthy Saudization percentage puts it in the Green category according to the Nitaqat system.

20 Please refer to the Nitaqat certificate for the percentage
21 Please refer to the Nitaqat certificate for the percentage

9. Management's Discussion and Analysis of Financial Conditions and Results of Operations

The following management discussion and analysis of the financial condition and results of Najran Cement Company's operations is based upon, and should be read in conjunction with the audited financial statements for the years ended 31 December 2011, 2010 and 2009 and the notes thereto. The financial statements for the financial years 2010 and 2009 were audited by Deloitte & Touché Bakr Abulkhair & Co. The financial statements for financial year 31 December 2011 were audited by Dr. Mohamed Al-Amri & Co. (BDO) and are included elsewhere in this Prospectus

The Company was undergoing trial production in 2008 and commenced commercial operations from 1 January 2009 onwards in Line I and Line II, and the Grinding Unit in May 2009. Consequently, the periods discussed in this Section to which the audited financial statements relate are not directly comparable, for the financial years ended 31 December 2011, 2010 and 2009 as with many companies in an early phase of operational development, the Company's financial condition and results of operations experienced rapid and significant changes during the periods discussed in this Section, as the Company developed its customer base, built its infrastructure and secured supplier relationships, among other matters. Therefore, revenues, operational and financial costs, assets and liabilities, and capital expenditures and cash requirements generally continued to grow during the periods concerned, making period-to-period comparability of the Financial Statements of limited analytical use.

The Management's Discussion and Analysis of Financial Condition and Results of Operations ("**MD&A**") Section may contain forward-looking statements that involve risks and uncertainties. Actual results for the Company could differ materially from those contemplated by these forward-looking statements as a result of various factors, including those discussed below and elsewhere in the Prospectus, particularly in the "Risk Factors" Section.

9.1 Directors' Declaration for Financial Information

The Board of Directors declare that to the best of their knowledge and belief that the financial information presented in this Prospectus is extracted, without material changes, from the audited financial statements for the years ended 31 December 2011, 2010 and 2009 have been prepared in accordance with SOCPA Accounting Standards.

The Board of Directors further declare that there has been no material adverse change in the financial or trading position of the Company during the last three financial years ended 31 December 2011, 2010 and 2009, and up to the date of this Prospectus.

The Board of Directors further declare that no commissions, discounts, brokerages or other non-cash compensation have been granted within the two (2) years immediately preceding the application for listing in connection with the issue or sale of any securities by the Company to any Director or any Senior Officer, or any Advisor or any expert and also declare that the capital of the Company is not under option.

The Board of Directors further declare that the Company will have sufficient funds to meet the working capital requirements for 12 months subsequent to the date of this Prospectus.

9.2 Significant Accounting Policies

The Company's Financial Statements are prepared in compliance with the accounting standards issued by SOCPA. The Company's significant accounting policies are set out in the notes to the Company's Financial Statements included in the "Financial Information" section.

9.3 Results of Operations

The following table summarises the audited income statement of the Company for the financial years ended 31 December 2011, 2010 and 2009:

Table 9-1: Income Statement

SAR'000	Year ended 31 December		
	2011	2010	2009
	Audited	Audited	Audited
Sales, net	697,454	637,430	373,230
Cost of sales	(401,048)	(336,701)	(195,424)
Gross profit	**296,406**	**300,728**	**177,806**
Selling and marketing expenses	(9,195)	(7,679)	(3,642)
General and administrative expenses	(23,866)	(23,695)	(19,840)
Income from operations	**263,346**	**269,354**	**154,324**
Investment income	-	-	17,066
Finance charges	(21,625)	(16,160)	(15,372)
IPO expenses	-	(3,856)	-
Other income	913	12	166
Income before Zakat	**242,634**	**249,350**	**156,184**
Zakat	(8,000)	(7,630)	(4,118)
Net income for the year	**234,634**	**241,720**	**152,066**

Source: Najran Cement Company

Net sales have witnessed a compounded annual growth rate of 36.7% from 2009 to 2011. The Main Plant commenced commercial production on 1 January 2009 from the first and second production lines. Furthermore, the Company started commercial operations from the Grinding Unit in May 2009, generating SAR 126.6 million from OPC and SAR 135.9 million from SRC in 2009. Resultantly, net sales of SAR 373.2 million was recorded during 2009. An increase in net sales during 2010 as compared to 2009 was mainly due to full-year operations of the Grinding Unit as well as a high growth sales outside Najran area. Net sales in 2011 witnessed a year to year growth of 9.4% from 2010 mainly due to increase in average selling price and reduction in incentives offered to customers. These incentives comprise mainly of area based support for customers outside the Southern Region of KSA in addition to quantities discounts. Total volumes sold were 1.7 million tons in 2009, 3.0 million tons each in 2010 and 2011.

Cost of sales grew at a compounded annual growth rate of 43.3% from 2009 to 2011. As a percentage of sales, cost of sales increased from 52.4% in 2009 to 52.8% in 2010 and further to 57.5% in 2011. In 2010 cost of sales increased primarily due to increase in quantities sold (78.9%) by the Company. However, in 2011 it increased due to increased operation and maintenance (33.1%), and repairs (102.5%) and higher fuel costs (52.6%) because of increased sea freight costs and using more expensive Light Fuel Oil. Reported gross margins were 42.5% in 2011, 47.2% in 2010 and 47.6% in 2009.

Selling and marketing expenses mainly consist of employee salaries and cement transportation costs. In 2009, cement transportation costs were deducted from gross sales which amounted to SAR 4,000 however in 2010 and 2011 they were classified as selling and marketing expenses. Selling and marketing expenses witnessed a growth of 110.9% in 2010 due to a full-year operation of the Grinding Unit in 2010. (The Grinding Unit grinds clinker into cement for sales in the Asir region). The increase in 2011 (19.7%) was due to increase in transportation costs (44.4%). In 2010, liaison offices were opened up in Khamis and Taif and employees were hired and stationed there to market the cement produced by the Grinding Unit which resulted in the growth in the selling and marketing expenses for 2010. Furthermore cement transportation costs increased by 44.0% in 2011 from 2010 due to as new contract for transportation was signed to transport cement to Khamis. As a percentage of sales, selling and marketing expenses accounted for around 1.2% from 2009 to 2011.

General and administrative expenses mainly comprise of employees' salaries and benefits, depreciation, travel expenses and professional fees. General and administrative expenses increased at a compounded annual growth rate of 9.7% from 2009 to 2011. On a year-to-year basis, they grew by 19.4% in 2010 and 0.7% in 2011. The increase in 2010 was mainly due to increase in donations and provision made against doubtful receivables.

Reported net margins were 33.6% in 2011, 37.9% in 2010 and 40.7% in 2009. These decreased due to higher selling and marketing expenses, general and administration expenses, and finance charges.

9.3.1 Sales

Table 9-2: Sales

SAR'000	Year ended 31 December		
	2011	2010	2009
	Audited	Audited	Audited
Bulk	480,474	461,730	230,077
Bags	280,935	276,288	152,874
Clinker	-	-	13,977
Gross sales	**761,410**	**738,018**	**396,928**
Less: Incentives	(63,955)	(100,589)	(23,694)
Less: Transportation	-	-	(4)
Net sales	**697,454**	**637,430**	**373,230**

Source: Najran Cement Company

SAR'000	Year ended 31 December		
	2011	2010	2009
	Audited	Audited	Audited
OPC	698,512	671,148	358,529
SRC	62,898	66,871	24,422
Clinker	-	-	13,977
Gross sales	**761,410**	**738,018**	**396,928**
Less: Incentives	(63,955)	(100,589)	(23,694)
Less: Transportation	-	-	(4)
Net sales	**697,454**	**637,430**	**373,230**

Source: Najran Cement Company

Ton	Year ended 31 December		
	2011	2010	2009
Bulk	1,903,812	1,878,386	950,054
Bags	1,107,247	1,168,634	652,707
Clinker	-	-	99,961
Gross quantity sold	**3,011,059**	**3,047,020**	**1,702,722**

Source: Najran Cement Company

Gross sales increased at a cumulative annual growth rate of 36.7% over 2009 to 2011.

In 2010, gross sales increased by 70.8% as compared to 2009 to reach SAR 637.4 million in 2010 from SAR 373.2 million in 2009. This increase is primarily as a result of increase in bulk and bags quantities sold by 97.7% and 79.0% respectively due to increased sales to regions outside Najran area, as a result of incentives offered to the customers. Incentives represent region-based sales discounts, which are granted to customers outside the Najran area in order to increase sales to them. The Grinding Unit operated for a full year in 2010, which led to an increase in the amount of grinded cement marketed and sold. The Company opened up a liaison office in Taif in 2010 in an effort to capture a market share in the Makkah region and this resulted in higher incentives being provided to customers in that region. Incentives increased sharply in 2010 as sales grew in the Riyadh and Makkah regions.

In year ended 31 December 2011, gross sales increased by 9.4% to reach SAR 697.5 million in 2011 from SAR 637.4.0 million in 2010. Total bulk quantities sold were 1.4% higher than in 2010, whereas bags quantity sold decreased by 5.3%. The Company focused on selling higher margin bulk cement. Although total sales grew by 9.4% in 2011 from 2010, cost of sales grew by 19.4% in the same period which reduced the profitability of the Company in 2011.

Furthermore incentives decreased by 36.4% due to change in Company policy to reduce the incentives according to the changed market conditions.

SRC sales decreased by 5.9% in 2011 from 2010, due to decrease in sales quantities by 8.4%.

The Company did not record any clinker sales in 2010 and 2011, as the Company used clinker in cement production.

Incentives as a percentage of net sales increased from 6.3% in 2009 to 15.8% in 2010 as net sales increased by 70.8% during the same period. The ratio decreased to 9.2% in 2011 as sales increased by 9.4% in 2011 due to significant reduction in incentives offered to the customers.

Net sales witnessed a compounded annual growth rate 36.7% during 2009 to 2011.

Cost of Sales

Table 9-3: Cost of Sales

SAR'000	Year ended 31 December		
	2011	2010	2009
	Audited	Audited	Audited
Raw material consumed	77,117	76,280	44,813
Salaries wages and benefits	35,052	28,909	25,777
Operation and maintenance costs	47,106	35,381	47,165
Communications	524	316	289
Fuels	64,291	42,126	43,382
Repairs and maintenance	50,044	24,719	4,805
Business travel	611	760	246
Vehicle operation	45	167	437
Contracted labor	436	1,125	598
Insurance	1,847	1,843	2,206
Depreciation	75,720	78,114	75,931
Amortization	4,285	2,872	2,823
Miscellaneous costs	7,007	6,652	8,180
Cost of goods manufactured	**363,982**	**299,252**	**256,651**
Add: Opening stock in trade	72,084	109,534	50,212
Less: Closing stock in trade	(35,019)	(72,084)	(111,440)
Cost of sales	**401,048**	**336,701**	**195,424**

Note: In 2010 and 2011 amortization of SIDF evaluation cost has now been classified under financial charges. In 2009, it was classified under cost of sales.

Source: Najran Cement Company

Cost of sales represented 52.4%, 52.8% and 57.5% of sales in 2009, 2010 and 2011 respectively.

In absolute terms, cost of sales increased by SAR 141.3 million (72.3%) in 2010 as compared to 2009 mainly due to increase in raw material consumed by SAR 31.5 million (70.2%). Cost of sales increased by SAR 64.3 million (19.1%) in 2011, to reach SAR 401.0 million due to increased fuel cost (52.6%), O&M cost (33.1%), salaries and wages (21.2%) and repairs and maintenance cost (109.5%) from SAR 339.5 million in 2010.

Cost of sales increased at a compounded annual growth rate of 43.3% between 2009 and 2011.

Raw materials consumed

Raw materials consumed in the production process mainly include limestone, clay, iron ore, sandstone and gypsum. Out of these, the Company extracts limestone, clay and gypsum from mines located in the vicinity of the plant under a quarrying concession licence. Iron ore is obtained from a local supplier.

Raw materials consumed represented 22.9%, 22.7% and 19.2% of cost of sales in 2009, 2010 and 2011 respectively.

Salaries, wages and benefits

Employees' salaries and wages increased by 12.2% in 2010 from 2009 on account of increase of 68 employees. These expenses further increased by 21.2% in 2011 due to a policy shift whereby the security function, previously outsourced, was taken over by the Company in September 2010 through direct employment to raise the Company's levels of Saudization. This resulted in 82 employees taken onto the Company's payroll with all other benefits as per the Company's policy. Furthermore, a bonus was declared in 2011 amounting to two (2) months' salary in line with the directives of the Chairman, along with a maximum increment of 5% as per employee performance reports. The effect of two (2) months salaries was 33% of salary expenses for 2011.

There were 362 employees in 2009, 430 employees in 2010 and 501 employees in 2011 classified as part of cost of sales.

Operation & Maintenance ("O&M")

O&M expenses decreased by 25.0% in 2010 from 2009 as Line II was operated and maintained by HCRDI. The Company outsourced operation and maintenance of Lines I and II of 6,000 TPD and 3,000 TPD to Holtec Consulting and HCRDI respectively. For almost the entire year of 2010, HCRDI was operating free of charge as a result of an understanding between the two managements. The free period ended in February 2011 after that the Company took over the operations, and HCRDI was involved only through secondment of employees. The Company has also outsourced operation and maintenance of its power plant to Wärtsilä Power Contracting Company. The Grinding Unit is run by HCRDI under Holtec's supervision. These expenses increased by 33.1% in 2011 as the HCRDI free period ended in February 2011, furthermore HCRDI brought in new staff that resulted in payment of air tickets and related immigration duties.

Fuels

The Company primarily consumes Heavy Fuel Oil in its production process and power plants which is purchased from Saudi Aramco under a supply purchase contract. It is then transported to the Company through private contractors. The Company has an existing supply purchase contract for Heavy Fuel Oil from Saudi Aramco for Line I, and is liaising with the MPMR and Aramco to secure the supply of fuel for Line II. It is expected that following the IPO and upon receiving the relevant instructions from the MPMR, Aramco will continue to supply the necessary fuel for Line II. The Company is currently using the fuel surplus resulting from interruptions of maintenance of Line I to operate Line II. Fuel costs increased by 52.6% in 2011 compared to 2010. This was mainly due to the increase in sea freight transportation of Heavy Fuel Oil by 202.8% as the Company entered into a new contract for fuel transportation as total fuel consumption increased by 3.0%. The increase in oil consumption was mainly due to higher clinker production during 2011, which was 3.0% (8,634L) higher than 2010. Moreover, kilns witnessed a number of stoppages during 2011 due to the non-availability of HFO from Saudi Aramco, which made it necessary for the Company to make up for this shortage through by purchasing higher priced Light fuel Oil, which on average was SAR 0.07/litre higher than Heavy Fuel Oil, which negatively affected gross profit by SAR 3.0 million in 2011.

The company used sea freight based transportation for fuel, due large quantities of fuel purchased it is comparatively cheaper than using land transportation.

Repairs and maintenance

Repairs and maintenance increased in 2010 to SAR 24.7 million (414.4%) due to 2010 being the first full year of commercial production at full capacity for the units. In 2011 these increased further to SAR 50.0 million (102.5%) due to an increase in unplanned shutdowns.

The unscheduled stoppages did not affect sales due to sufficient clinker and cement inventory held by the Company to satisfy customer demand.

Repairs and maintenance constituted 22.9%, 22.7% and 19.2% of cost of sales in 2009, 2010 and 2011 respectively.

9.3.2 Selling and marketing expenses

The following table summarises the selling and marketing expenses of the Company for the financial years ended 31 December 2011, 2010 and 2009:

Table 9-4: Selling and Marketing Expenses

SAR'000	Year ended 31 December		
	2011 Audited	2010 Audited	2009 Audited
Employee salaries and benefits	4,090	3,787	2,930
Depreciation	732	777	437
Travel expenses	65	120	182
Cement transportation	3,941	2,736	-
Others	366	259	93
Total selling and marketing expenses	**9,195**	**7,679**	**3,642**

Note: In 2009, transportation expenses were classified as sales incentives.

Source: Najran Cement Company

Selling and marketing expenses represent on average 1.2% of total sales in 2009, 2010 and 2011. These increased in 2010 and 2011 mainly due to an increase in the employees' salaries and benefits and transportation expenses.

Employees' salaries and benefits

In 2011, employees' salaries and benefits cost increased by 8.0% due to the increase in number of employees and remunerations by two (2) months' base salary for all employees and a yearly increase in salary to a maximum of 5% effective January 2011.

There were 62 employees in 2009, 62 employees in 2010 and 73 employees in 2011 supporting the sales and marketing function.

Cement transportation

In 2009, cement transportation costs were deducted from gross sales which amounted to SAR 4,000 however in 2010 and 2011 they were classified as selling and marketing expenses.

Cement transportation costs increased by 44.0% in 2011 from 2010 as a new contract for transportation was signed to transport cement to Khamis. Cement transportation expense as percentage of sales were 0.6% in 2011 and 0.4% in 2010

9.3.3 General and Administrative Expenses

General and administrative expenses witnessed growth at a CAGR of 9.7% in 2009, 2010 and 2011. In absolute terms, these increased from SAR 19.8 million in 2009 to SAR 23.7 million and further to SAR 23.7 million in 2011 mainly due to increase in employee salaries and benefits.

The following table shows the breakdown of general and administrative expenses of the Company for the financial years ended 31 December 2011, 2010 and 2009:

Table 9-5: General and Administrative Expenses

SAR'000	Year ended 31 December		
	2011 Audited	2010 Audited	2009 Audited
Employees' salaries and benefits	15,200	12,432	11,557
Depreciation	1,760	1,216	1,239
Provisions for doubtful receivables	-	1,623	-
Contractual staff	732.53	699	1,183
Travel expenses	540.49	1,228	1,165
Professional fees	886.47	631	1,003
Donations	1,380	2,849	972
Advertising expenses	644.66	768	597
Communication	524.94	316	373
Maintenance expenses	427.63	289	255
Subscriptions	76.30	71	121
Rent	332.07	147	72
Insurance	23.26	37	41
Vehicle expenses	221.54	192	33
Others	1,116	1,197	1,229
Total general and administrative expenses	**23,866**	**23,695**	**19,840**

Source: Najran Cement Company

Employees' salaries and benefits

Staff costs represented the major component of general and administrative expenses which amounted to 58.3%, 52.5% and 63.7% of the total general and administrative expenses in 2009, 2010, and 2011.

Employees' salaries and benefits cost increased by 22.3% in 2011 due to the increase in number of employees and remunerations by two (2) months' base salary for all employees and a yearly increase in salary to a maximum of 5% effective January 2011. The number of employees increased from 34 as at 31 December 2009, 42 as at 31 December 2010, and 43 as at 31 December 2011.

Depreciation

Depreciation is the second major component of G&A, which constituted 6.2%, 5.1% and 7.4% towards total general and administrative expenses in 2009, 2010 and 2011. Depreciation expense has increased slightly in 2011. Furthermore, the Company has adopted the declining balance method in calculating depreciation.

Travel expenses

The head office of the Company is located in the city of Najran, while most key business contacts with governmental bodies, banks, and consulting bureaus are in Jeddah and Riyadh. Travel expenses include payments for tickets and accommodations for Company staff who need to visit government bodies and banks and attend Board meetings; it also covers frequent visits by consultants and internal and external auditors.

As 2009 was the first year of operations, travel expenses maintained the same level in 2009 and in 2010. These expenses decreased by 56.0% in 2011, as travelling expenses related to line III were capitalized in accordance with the capitalization policy.

Professional fees

In 2009 professional fees mainly relate to Audit and Zakat advisory paid to Deloitte amounting to SAR 250,000, consulting advisory to Ernst & Young aggregating SAR 217,929 and internal audit fee of SAR175,000 paid to Dr. Mohamed Al-Amri & Co (BDO).

In 2010, it mainly consisted of audit, Zakat, and review paid to Deloitte aggregating SAR 376,533, and internal audit fee of SAR 175,00 paid to Dr. Mohamed Al-Amri & Co (BDO).

The increase in professional fees in 2011 is due to withholding advisory fees to Deloitte of SAR 117,000 from 2006 to 2010 which were subsequently paid in 2011, market study fees to E&Y of SAR 116,471 and legal advisory fees to Mulla Associates of SAR 80,000. In addition to this, SAR 22,000 was paid to Talal Abu Ghazala for a one-time accounting advisory fee.

Donations

These are part of the Company's social responsibility initiatives and represents monthly cash assistance to poor and needy individuals in the dormitories adjacent to the plant.

In 2009, donations amounted to SAR 1.0 million mainly consisting of SAR 0.2 million to Riyadh Sports Club, SAR 0.1 million to Jamia Al Khair, and SAR 0.1 million contributions to Ministry of Interior programs.

In 2010, donations amounted to SAR 2.9 million. These included relief to Jeddah flood victims and to those who moved into Jizan Province. There was also a SAR 0.5 million donation to build Genedariya village in Najran

In 2011, it decreased by 51.6% to SAR 1.4 million from SAR 2.8 million. Major donations were made to Emarat Najran (SAR 0.3 million), and to 'National Day Celebrations' under the Patronage of Prince Mushal (SAR 0.1 million).

Other Expenses

Other expenses consist mainly of employee training and workshop expenses, utilities, and office supplies and printing. These have seen a downward trend owing to a decrease in training costs as the business has moved from the start-up to the operational phase.

9.3.4 Investment income

During 2009, the Company received stock dividends of 275,000 shares of Dar Al Arkan. The Company then sold its entire investment (a total of 4,835,926 shares) by the end of 2009 for SAR 119.0 million, resulting in a realized gain of SAR 17.1 million.

9.3.5 Zakat

Zakat expense increased to SAR 8.0 million in 2011, compared to SAR 7.6 million in 2010. The increase in income before Zakat in 2009, 2010, and 2011 was the result in increase in Zakat by 357.6%, 85.3% and 4.8% in 2009, 2010 and 2011 respectively.

9.4 Balance Sheet

The following table summarises the audited balance sheet of the Company as at 31 December 2011, 2010 and 2009:

Table 9-7: Balance Sheet

SAR'000	As at 31 December		
	2011 Audited	2010 Audited	2009 Audited
Current Assets	298,218	304,534	241,173
Non-current assets	1,701,078	1,538,577	1,583,949
Total assets	1,999,296	1,843,111	1,825,122
Current liabilities	218,507	161,962	247,791
Non-current liabilities	557,661	383,153	262,054
Shareholder equity	1,223,128	1,297,996	1,315,277
Total liabilities and shareholder equity	**1,999,296**	**1,843,111**	**1,825,122**

Source: Najran Cement Company

9.4.1 Current Assets

The following table summarises the current assets of the Company as at 31 December 2011, 2010 and 2009:

Table 9-8: Current Assets

SAR'000	As at 31 December		
	2011 Audited	2010 Audited	2009 Audited
Cash and bank balances	11,579	32,883	39,100
Accounts Receivable	107,680	70,558	25,355
Inventories	141,691	158,724	162,937
Prepaid expenses and others	37,267	42,369	13,781
Total current assets	**298,218**	**394,534**	**241,173**

Source: Najran Cement Company

Cash and cash equivalents

Cash and cash equivalents include petty cash maintained by the Company for day-to-day use and bank account balances. These balances decreased at a compounded annual growth rate of 45.6% on account of high dividends paid during 2009 to 2011. Dividends paid to shareholders amounted to SAR 257.6 million in 2010 and SAR 307.3 million in 2011

Accounts receivable

Accounts receivable amounted to 10.5%, 24.4% and 35.2% of total current assets as at 31 December 2009, 2010, and 2011 respectively.

The receivables balance increased by 42.5%, reaching SAR 107.7 million as at 31 December 2011 compared with SAR 75.6 million as at 31 December, 2010, due to an increase in credit sales by SAR 64.0 million in 2011 compared with 2010.

The Company's credit policy is forty-five (45) days. In 2011, there was no new provision for doubtful debts and the Company implemented a credit policy with old customers and large ready-mix concrete companies, which usually provide guarantees in the form of bank guarantees or other mortgages.

The receivables collection period increased from nine (9) days in 2009 to 14 days in 2010, reaching thirty-two (32) days in 2011 as credit sales increased at compounded annual growth rate of 53.9%. The Company changed its distribution strategy, by reducing the payment of distribution incentives and increasing credit sales to ninety (90) days for some old customers, which increased accounts receivable collection period.

Inventories

Inventories included goods in process, finished goods, raw materials, fuel, packing materials and spare parts. They contributed 67.6%, 51.3% and 48.9% of total current assets as at 31 December 2009, 2010 and 2011 respectively.

The following table summarises the inventory break-down of the Company as at 31 December 2011, 2010 and 2009:

Table 9-9: Inventory

SAR'000	As at 31 December		
	2011 Audited	2010 Audited	2009 Audited
Raw materials	25,737	18,574	15,617
Goods in progress	27,657	66,999	104,978
Finished goods	5,497	4,543	3,812
Spare parts and other items	82,801	68,608	38,530
Total Inventory	**141,691**	**158,724**	**162,937**

Source: Najran Cement Company

Inventories decreased at a CAGR of 6.7% from 2009 to 2011. In 2010, the inventories balance decreased by 2.6% SAR 158.7 million, mainly due to the decline in goods in progress inventories by SAR 38.0 million as a result of decreased production near year end. Moreover, in 2011 inventories further decreased by 10.7% to SAR 141.7 million mainly due to the decline in goods in progress inventories by SAR 39.3 million due to decreased utilization rate of the grinding unit to 69.3% in 2011 from 82.9% in 2010.

Spare parts balances increased between 2009 to 2011 due to the Company's commencement of production operations at full capacity and due to the long order time for spare parts resulting from of the Main Plant's long distance from the supply sources. It increased by 30.4% in 2011 as the production department witnessed a number of unscheduled shutdowns and technical difficulties.

The finished goods balance increased from SAR 3.9 million in 2009 to SAR 4.5 million in 2010, and SAR 5.5 million in 2011 due to the increased production near the year end.

Prepaid expenses and other assets

Prepaid expenses consist of advances paid to suppliers, prepaid expenses, advances and loans to employees, margins on letters of credit and other prepayments. As a percentage of total current assets, prepaid expenses contributed 5.7%, 13.9% and 12.5% as at 31 December, 2009, 2010 and 2011 respectively.

Prepaid expenses in 2010, more than tripled compared to 2009 and reached SAR 42.4 million. The growth in prepaid expenses in 2010 was to a large extent a result of the increase in refundable custom duties amounting to SAR 18.1 million, all of which are related to the Lines I and II and the Grinding Unit.

Prepaid expenses decreased in 2011 by 12.0% to reach SAR 37.2 million due to the decrease in other prepaid expenses by SAR 16.5 million.

9.4.2 Non Current Assets

The following table summarises the non-current assets of the Company as at 31 December, 2009, 2010 and 2011:

Table 9-10: Non-Current Assets

SAR'000	As at 31 December		
	2011 Audited	2010 Audited	2009 Audited
Property, plant and equipment	1,453,207	1,499,131	1,556,008
Construction in progress	210,522	-	14,672
Deferred charges	37,349	39,446	13,269
Total non-current assets	**1,701,078**	**1,538,577**	**1,583,949**

Source: Najran Cement Company

Property, plant and equipment

Property, plant and equipment consist of land, buildings, machinery, equipment, vehicles, furniture, fixtures, computers and heavy quarry vehicles.

The net book value as at 31 December, 2009 increased by SAR 1.3 billion, mainly due to capitalization of production Line II and the Grinding Unit, which were still constructions in progress in 2008.

No major additions took place in 2010 and 2011.

Construction in progress

Construction in progress as at 31 December 2009 pertains to the contract of the Nesma, Main Contractor (SAR 9.1 million), capital goods store (SAR 3.6 million), and deposits against capital goods (SAR 2.0 million). In 2011, construction in progress of SAR 210.5 million pertains to construction of third production line out of which the Main Contractor payments aggregate to SAR 206.6 million is classified as construction in progress in 2011.

Deferred Charges

Table 9-11: Deferred Charges

SAR'000	Year ended 31 December		
	2011 Audited	2010 Audited	2009 Audited
Balance as at 1 January	39,446	13,270	13,933
Additions during the year	12,120	31,891	2,158
Amortization	(14,217)	(5,715)	(2,822)
Closing balance	**37,249**	**39,446**	**13,269**

Source: Najran Cement Company

Deferred charges comprise mainly license fees, feasibility studies, other consultation fees and SIDF evaluation fees. These contributed 0.7%, 2.1%, and 1.9% of total assets as at 31 December 2009, 2010 and 2011 respectively.

Additions to deferred charges in 2010 and 2011 include the Line III feasibility study and consultation expenses, SIDF evaluation charges and ISO implementation expenses.

The Company amortizes deferred charges using the straight line method over a period of five (5) to eight (8) years.

9.4.3 Current Liabilities

The following table summarises the current liabilities of the Company as at 31 December 2011, 2010 and 2009:

Table 9-12: Current Liabilities

SAR'000	As at 31 December		
	2011 Audited	2010 Audited	2009 Audited
Short-term financing	60,000	15,000	-
Current portion of long-term loans	80,000	94,550	125,000
Dues to Contractor	-	-	79,944
Creditors, accrued expenses and other liabilities	66,344	43,967	117,595
Provisions for Zakat	12,163	8,445	5,196
Total current liabilities	**218,507**	**161,962**	**247,791**

Source: Najran Cement Company

Short term financing

As at 31 December, 2010, short-term financing represents short-term Islamic financing obtained from National Commercial Bank (NCB), it increased by SAR 45.0 million in 2011 for financing the working capital requirements of the Company, and is an active facility until 31 May 2012.

Current portion of long-term financing

This amount represents the current portion of long term loan obtained from SIDF to be paid in three (3) instalments. SAR 80.0 million will be due to SIDF by the end of 31 December 2012.

Creditors, accrued expenses and other liabilities

Creditors, accrued expenses and other liabilities comprise mainly dues to suppliers and service contractors and other accrued expenses, which represent 47.5%, 27.1% and 30.4% of total current liabilities at 31 December, 2011, 2010 and 2009 respectively.

Services contractors represent mainly accounts payable to suppliers, service and O&M providers, and transportation companies. The amounts due to the service contractors decreased by 93.9% and increased by 167.0% as at 31 December 2010 and 2011 respectively. This is due to the start of commercial production and the availability of liquidity. Furthermore, in 2011 this amount increased to SAR 62.8 million due to increase in advances from customers and trade creditors.

Accrued expenses comprise mainly accrued vacation provisions and travel tickets, raw material royalties and public utilities expenses.

The amount due to creditors mainly constitutes payables to contractor. These relate to the project's Main Contractor (Nesma & Partners) which has been contracted to build the Company's cement production lines and Grinding Unit. This includes engineering, supplies, civil works and installation at a total contract value of SAR 1.52 billion (USD 404.7 million).

Amounts due to the project's Contractor are a non-interest-bearing liability as per the contract agreements. An amount of SAR 13.1 million in 2011 was retained and subsequently paid by the Company in 2012.

Raw material royalties represent amounts due to the MPMR for quantities of raw materials extracted from the quarry in tons as follows:

- SAR 2.25 per ton for limestone
- SAR 2.25 per ton for gypsum
- SAR 0.13 per ton for sand stone
- SAR 1.50 per ton for clay

These amounts are due at the end of each financial year.

9.4.4 Non-Current Liabilities

The following table summarises the non-current liabilities of the Company as at 31 December 2011, 2010 and 2009:

Table 9-13: Non Current Liabilities

SAR'000	As at 31 December		
	2011 Audited	2010 Audited	2009 Audited
Long term loans	553,500	380,370	260,000
SIDF Loan	-	-	-
End of service indemnities	4,161	2,783	2,054
Total non-current liabilities	**557,661**	**383,153**	**262,054**

Source: Najran Cement Company

Long-term loans

Long term loans primarily consist of BSF and SIDF. The outstanding balance of the long term loan under non-current liabilities were SAR 260.0 million, SAR 380 million, SAR 553.5 million at the end of 2009, 2010 and 2011 respectively.

BSF

During the year ended December 31, 2011, the Company repaid in full the amount due to BSF totalling SAR 254.92 million. It also entered into a new multi purposes facility agreement with BSF with a limit of SAR 500,000,000. This new facility has a profit mark-up rate of RIBOR (Riyadh Interbank Offer Rate) plus 2.25% to be serviced on a quarterly basis and is repayable in twenty (20) quarterly instalments starting on 30 September 2013 and ending on 30 July 2018. This facility is secured by, inter alia, an order note amounting to SAR 500,000,000. Under the facility that has been repaid in full, BSF was the second beneficiary on the Company's insurance policy covering the property, plant and equipment at the operating plants. A management fee of SAR 2.5 million was charged in connection with the obtaining of the new facility.

As at December 31, 2011, the Company has used SAR 193,500,000 of this funding and is still entitled to such withdrawals until March 31, 2012. Given that the Company's management intends to refinance the amounts due, the loan has been classified as long-term loan.

SIDF loan

During 2008, the Company signed a term loan facility of SAR 454.6 million with the SIDF. The last withdrawal took place on 19 September 2009G and was extended until 27 September 2011G. The loan is interest-free and is repayable in fourteen (14) semi-annual instalments starting on Sha'ban 15, 1432H (corresponding to July 17, 2011G) and is secured by order notes supplemented by a mortgage on all property, plant and equipment of the Company excluding the grinding facilities at Aakfah. The facility is also secured by personal guarantees of three of the shareholders of the Company.

SIDF is also the first beneficiary on the Company's insurance policy covering the property, plant and equipment at the operating plants. An evaluation fee of SAR 34,000,000 is stipulated in the contract out of which SAR 29.9 million was appropriated by the SIDF whilst disbursing the first instalment of SAR 200,000,000 in the in 2010.

End of service indemnities

EOSI shows an increasing trend between 2009 and 2011. It represents 0.8%, 0.7% and 0.75% of total non-current liabilities in 2009, 2010 and 2011 respectively. The increase in 2009, 2010 and 2011 was on account of the growth in the number of employees and number of years served by the employees. EOSI balance increased to SAR 2.1 million (407 employees) as at 31 December, 2009 to SAR 2.8 million (582 employees) as at 31 December, 2010 to SAR 4.2 million (847 employees) as at 31 December, 2011.

9.4.5 Shareholders' Equity

The following table summarises the shareholders' equity of the Company as at 31 December 2011, 2010 and 2009:

Table 9-14: Shareholder's Equity

SAR'000	As at 31 December		
	2011 Audited	2010 Audited	2009 Audited
Share capital	1,219,000	1,150,000	1,150,000
Statutory reserve	8.7568	46,205	22,034
Retained earnings	3,460	101,791	143,243
Total Shareholder's Equity	**1,223,128**	**1,297,996**	**1,315,277**

Source: Najran Cement Company

Share capital

Share capital of the Company has remained at SAR1,150,000,000 in 2009 and 2010, representing 115,000,000 ordinary Shares with a nominal value of SAR 10 each.

In 2011 the Company capitalized its statutory reserves amounting to SAR 69 million to increase the share capital to SAR 1,219,000,000 representing 121,900,000 million ordinary Shares with a nominal value of SAR 10 each.

Statutory reserve

The statutory reserve is maintained in accordance with the Companies Regulations in the Kingdom of Saudi Arabia. 10% of the Company's annual net income is transferred to the statutory reserve until the reserve reaches 50% of the Company's share capital.

Dividends

The General Assembly held on 27 June 2010 approved distribution of cash dividends relating to 2009 of SAR 142.6 million (SAR 1.24 per share). Furthermore, an interim dividend of SAR 115 million (SAR 1 per share) for 2010 was approved by the shareholders on 16 March 2011, along with a final dividend of SAR 101.2 million (88 Hilala per share).

In 2011, the Board recommended SAR 61.0 million (53 Hilala per share) as interim dividend for the first quarter 2011 in their 26th meeting on 29/04/1432H (03/04/2011G). The Board further recommended SAR 71.2 million (62 Hilala per share) as interim dividend for the second quarter 2011 in their 28th meeting on 3/9/1432H (3/8/2011G). Moreover, the Board recommended SAR 74.8 million (65 Hilala per share) as interim dividend for the third quarter 2011 in their 29th meeting on 12/11/1432H (10/10/2011G).

No dividends were declared in the fourth quarter of 2011.

9.5 Financial Condition, Liquidity and Other Items

The following table summarises the audited cash flow statement of the Company for the financial year ended 31 December 2011, 2010, and 2009:

Table 9-15: Company Financial Condition

SAR'000	As at 31 December		
	2011 Audited	2010 Audited	2009 Audited
Net cash flow from operating activities	10,418	271,572	193,712
Net cash used in investing activities	(222,949)	(93,743)	(61,907)
Net cash flow (used in) financing activities	(109,228)	(184,000)	(94,472)
Net change in cash and cash equivalents	(21,304)	(6,171)	37,392
Cash and cash equivalents at beginning of year	32,884	39,054	1,708
Cash and cash equivalents at end of year	**11,580**	**32,884**	**39,100**

Source: Najran Cement Company

Note: 2009 figures have been adjusted to ensure consistency of presentation

Net cash flow from operating activities

The Company generated positive cash flows from operating activities during 2009 to 2011 due to operating profits generated commencing commercial operations of first production line and second production line in 2009.

Net cash used in investing activities

The Company recorded cash outflows used in investing activities during 2009 to 2011 mainly due to purchases of plant and equipment in 2009 for plant and grinding unit construction and for the constant deferred expenses for ERP, ISO, IPO and advisory services.

Net cash flow from/ (used in) financing activities

The Company recorded cash outflows used in financing activities during 2009 to 2011 due to repayment of loans and short-term finances and payment of cash dividends to shareholders in 2010 and 2011.

9.6 Commitments

As of 31 December 2011, the Company had commitments in the form of letters of credit (issued for purchase orders related to import of certain raw materials) amounting to SAR 3.7 million (31 December 2010: SAR6.9 million), a letter of guarantee (custom duty owed to the port authorities in Jeddah) amounting to SAR 0.05 million (31 December 2010: SAR 0.3 million), performance bonds (issued to Ma'aden for supplying bauxite) amounting to SAR 2.0 million (31 December 2010: nil) and committed payments to Nesma & Partners for SAR 1,056 million (31 December 2010: nil) for construction of Line III which is expected to be completed by the end of 2013.

9.7 Current Trading and Prospects

Since the Company's establishment in October 2005, the principal aim of the Company has been to manufacture and sell high quality cement. The Company focused mainly on exporting its surplus from the domestic market; however, the strategy was altered to concentrate initially on sales in the Southern Region and subsequently to the rest of the Kingdom due to the Government ban on exports.

9.8 Statement of Management's Responsibility for Financial Information

The MD&A section has been drafted by the Management of the Company and approved by the Board of Directors. Except as set forth in this Prospectus, Management states that to the best of their knowledge and belief there has been no material adverse change in the financial information in the audited financial statements, position or prospects of the Company as of the date of this Prospectus and accepts full responsibility for the truth and accuracy of the information and analysis of financial results and confirms, after taking all reasonable measures, that full and fair disclosure has been made and that there is no other information or documents the omission of which make any information or data herein misleading.

Save as disclosed in this Prospectus, the Management declares that there are no other mortgages, rights, and charges on the Company's properties as of the date of this Prospectus.

10. Dividend Record and Policy

The Company paid dividend of SAR 142.6 million (SAR 1.24 per share) for the fiscal year ended 31 December 2009, which was approved in the General Assembly Meeting held on 15/07/1431H (corresponding to 27/06/2010G). The Assembly Meeting dated 11/04/1432H (corresponding to 16/03/2011G) has approved the distribution of dividends of SAR 216.2 million (SAR 1.88 per share) for the year ended 31 December 2010, SAR 101.20 million (88 Halala per share) paid in the year ended 31 December 2011, and SAR 115 million (SAR 1 per share) paid in 2010.

For the first quarter of 2011, the Company paid an interim dividend of SAR 60.95 million (53 Halala per share), which was recommended in the 26th meeting of the Company Board of Directors held on 29/04/1432H (corresponding to 03/04/2011G). Moreover, the Company paid a dividend of SAR 71.20 million (62 Halala per share) for the second half of the same year, which was recommended in the 28th meeting of the Company Board of Directors held on 03/09/1432H (corresponding to 03/08/2011G).

At the end of the third quarter of 2011, the Company paid dividend in the amount of SAR 74.75 million (65 Halala per share) which was recommended by the Board of Directors meeting held on 12/11/1432H (corresponding to 10/10/2011G). Distributions declared for the year ended December 31, 2011 amounted to SAR 206.9 million. While the total distributions paid during the year 2011 amounted to SAR 307,328,065, unpaid dividends have reached SAR 773,935 as of December 31, 2011.The following table shows the declared dividends for the years ended December 31, 2009, 2010 and 2011:

Period	Total Dividends (Thousand SAR)
31 December 2009	142,600
31 December 2010	216,200
31 December 2011	206,902

It is the intention of NCC to make further dividend payments with a view to maximizing shareholder value commensurate with the Company's earnings, its financial condition, the condition of the markets, the general economic climate and other factors, including analysis of investment opportunities and reinvestment needs, cash and capital requirements, business prospects as well as other legal and regulatory considerations. Dividends will be distributed in Saudi Riyals. However, before any future distribution of dividends, the Company has to ensure that it does not breach any obligations arising from its facilities agreements with BSF and SIDF.

Although it is NCC's intention to pay dividends to its shareholders, the Company does not make any assurance that any dividend will actually be paid, or any assurances as to the amount that will be paid in any given year. In particular, the payment of dividends in the past should not be taken as assurance that further dividends will be paid in the future. The distribution of dividends is subject to certain limitations contained in the Company's Bylaws as summarized in the section entitled "Summary of Bylaws".

11. Capitalization and Indebtedness

The table below sets out the capitalization and indebtedness of the Company as derived from the audited financial statements as at and for the years ended 31 December 2008, 2009, 2010, and 2011. The following table should be read in conjunction with the "Financial Statements" of the Company, including the notes thereto, in the section "Certified Public Accountant's Report".

Table 11-1: Najran capitalization and indebtedness

SAR'000		As at 31 December 2011	As at 31 December 2010	As at 31 December 2009	As at 31 December 2008
Debt:					
	Short-Term	140,000	109,550	125,000	478,072
	Long-Term	553,000	380,730	260,000	-
Total Debt		**693,500**	**489,920**	**385,000**	**478,072**
Shareholders' Equity:					
	Capital	1,219,000	1,150,000	1,150,000	1,150,000
	Statutory Reserve	669	46,205	22,034	6,827
	Retained Earnings	3,460	101,791	143,243	7,783
Total Shareholders' Equity		1,223,128	1,297,996	1,315,277	1,164,610
Total Capitalization		**1,916,628**	**1,787,916**	**1,700,277**	**1,642,682**

Source: Najran Cement Company

11.1 Capitalization

The Company was incorporated on 9 October 2005 with a share capital of SAR 1,150,000,000 divided into 115,000,000 Shares of SAR 10 each.

As at 31 December 2011, share capital of the Company is SAR 1,219,000,000 consisting of 121,900,000 shares with a nominal value of SAR 10 (ten Saudi Riyals) each. The Company confirms that the Company's capital is not under option.

Shares sold in the Offering will rank pari passu to the other shares in the Company with respect to any dividends declared subsequent to the Offering.

11.2 Indebtedness

The following table clarifies the current and expected future loans:

Table 11-2: Current and future expected loans

Facility and financiers	Signing Date	Total facility and amount withdrawn as at 31 December, 2011	Interest/ commission rate and outstanding balance as at 31 December, 2011	Repayment schedule	Security	Major Conditions
Term loan from Saudi Industrial Development Fund ("SIDF")	23 Dec 2008 amended 14 June 2010	SAR 454.6 million Fully withdrawn	Interest free with evaluation fee SAR 34 million SAR 440 million	Repayable in 14 semi-annual instalments beginning 16 July 2011 Last instalment to be paid in 2017	Secured by order note supplemented by a mortgage on all property, plant and equipment excluding the Grinding Unit facility In addition, personal guarantees of three sponsors	
Tayseer Trading Facility from National Commercial Bank ("NCB")	11 April 2011	SAR 45.0 million Fully withdrawn	SIBOR + 1.75% per annum SAR 45 million	To be paid in full on 30 March 2012	Payment order for the bank by SAR 45 million.	-
Tawarroq facility from Banque Saudi Fransi ("BSF")	08th October 2011 and governed by the master facilities letter of agreement 18th April 2011.	SAR 500 million SAR 193.5 withdrawn	RIBOR + 2.25% per annum SAR 193.5 million	Two years grace period 20 equal quarterly instalments, starting from 30.09.2013 and ending on 30.06.2018	Order note for SAR 500 million, payable on demand covering the specific multipurpose facility. Undertaking letter to assign any new Saudi Industrial Development Bank (SIDF) loan proceeds along with the insurance policy covering the third production line and to file the IPO application with CMA.	No dividends to be distributed after 30.04.2012 in the event the IPO does not materialize by this date. Not committed to provide additional facilities if the IPO does not materialize or for any other reason Any cost over runs in the expansion to be covered by the company

Facility and financiers	Signing Date	Total facility and amount withdrawn as at 31 December, 2011	Interest/ commission rate and outstanding balance as at 31 December, 2011	Repayment schedule	Security	Major Conditions
Short-term financing from Banque Saudi Fransi ("BSF") related to the specific but partial financing for the third production line	18 April 2011	SAR 40.0 million (multi-purpose facility) Utilized SAR 25 million (Tawarroq)	RIBOR + 2.25% per annum SAR 25 million	To be repaid within 60 days on the basis of amount transfer	Order note of SAR 40.0 million	-

Source: Najran Cement Company

As at 31 December 2011, there are no borrowings, mortgages, rights, charges, contingent liabilities or guarantees of the Company, save as disclosed in the "Financial Statements" of the Company, including the notes thereto, in the section "Certified Public Accountants Report" and elsewhere in this Prospectus.

The table below illustrates the total amount in loans that the Company has incurred and the remaining amounts to be paid as at 31 December 2011G.

Table 11-3: Total loans and headroom

Total loans and debt headroom as at 31 December 2011			
	Total Facility (SAR)	Amount withdrawn	Debt headroom
SIDF	454.55	454.55	-
NCB	45.00	45.00	-
BSF (Tawarroq)	500.00	193.50	306.50
BSF (Short-term)	40.00	22.57	17.43
Total	**1,039.55**	**715.62**	**323.93**

11.3 Corporate Ownership

The following table clarifies Najran Cement Company's ownership structure as at 06/02/1433H (corresponding to 31/12/2011G) for shareholders who own 5% and more of the stock:

Table 11-4: Shareholders who own 5% and more of the stock

Name	No. of shares	% Direct Ownership	% Indirect Ownership
Majed Bin Ibrahim Bin Abdul Aziz Al Ibrahim	31,798,940	26.09%	None
Abdullah Bin Abdul Aziz Saleh Al Rajhi	15,898,940	13.04%	None
Mohammed Manaa Sultan Aballala	8,783,176	7.205%	0.041%
Abdul Latif Saud Al Babtain & Brothers for Trading and Contracting	7,736,940	6.35%	None
SKAB Group	7,420,000	6.09%	None
Prince Mashaal Bin Saud Bin Abdul Aziz	7,420,000	6.09%	None
Total	**78,461,746**	**64.37%**	

Source: Najran Management

12. Use of Proceeds

12.1 Total Proceeds

The proceeds from the Offering are expected to be SAR 850,000,000 which, of which SAR 24,500,000 will be deducted to settle the fees of the financial advisors, legal advisors, reporting accountants and the media and public relations consultants, as well as the Underwriters' fees, Selling Agent expenses, marketing expenses, printing and distribution expenses and other related expenses. The remaining amount of around SAR 825,500,000 will be paid as follows: (i) SAR 467,135,882 will be paid to the Company and (ii) SAR 358,364,118 will be paid to the Selling Shareholders. The Company shall be responsible for costs of the new shares issued, while the Selling Shareholders shall be responsible for costs pro-rata to the number of shares sold by them.

The Company intends to use the proceeds it receives from the Offering to finance the expansion of its Main Plant at Sultana, 240 km north of Najran Province by increasing the extent of its quarrying operations and installing a third clinker and cement production line, and to execute the general objectives of the Company, as described in detail below.

No commissions, discounts, brokerages or other non-cash compensation have been granted within the two (2) years immediately preceding the application for listing in connection with the issue or sale of any securities by the Company to any Director or any Senior Officer, or any Advisor or any expert.

12.2 Line III

Since 2000, the Kingdom of Saudi Arabia has witnessed steady and continuous growth in cement consumption, with a compound annual growth rate of 10% per annum for the years 2000 to 2010. The Company anticipates that population growth rates, rising oil prices and the program of major real estate and infrastructure projects announced by the Government for the coming years point to a robust growth in the demand for cement in the Kingdom of Saudi Arabia in the future. The Company intends to take advantage of this situation to increase its volume of sales in its main area of operations, the Southern region of the Kingdom, and to expand its market share to Makkah.

In order to avail itself of this opportunity, the Company intends to start a third line, which will increase the productivity of the Main Plant by 6,000 TPD of clinker. This will increase the total production capacity of the Main Plant to 15,000 TPD of clinker, equivalent to five million tons of cement annually. Line III will be similar to Line I, in terms of technology and equipment capacity, which will save the Company some operational, maintenance and spare parts costs.

Construction works of Line III started on 7 January 2012. Experimental production of this Line is expected to begin at the end of the second quarter of 2013, and commercial production in the fourth quarter of 2013. Operating Line III will increase total production capacity to 15,000 tons of clinker per day and 20,200 tons of cement per day.

The contractor for Line III received the site on 1 December 2011G. He transferred and arranged basic equipment to accommodate his workers and engineers' offices as well as the equipment warehouses, car workshops and ready-mix concrete plant.

On 7 January 2012G, excavation works began on the site, including the production line, fuel tanks, and residential area, and are already 95% complete. Equipment works are now on-going to cast foundations concrete in the third week of March 2012.

The project will include the expansion of the power plants, fuel tanks, water desalination plant, sewage treatment, warehouses, and additional equipment for the quarries.

The Company's quarries, labs and supporting service facilities will provide the technical and financial support needed for the third line, which will reduce capital cost of Line III and production costs of all three lines.

The Company estimates that once Line III becomes fully operational, it will need to employ approximately 257 additional staff at the Main Plant. Accordingly, the Company intends to apply part of the Offering net proceeds towards expanding the housing complexes and other workers' facilities available at the Main Plant.

Operating Line III will also increase the demand for water at the Main Site. Additional water will be required for purposes including equipment cooling, fire fighting, drinking, and sanitation. The Company intends to apply part of the proceeds from the Offering to drill two additional wells at the Main Site and to augment the existing water storage, pumping and treatment system.

Table 12-1: Sources and Uses of Funds for Line III

Sources of Funds		Uses of Funds	
Internal Cash	297,026,118	Nesma Contract	946,575,000
		WHR Plant	168,300,000
Bank Financing	500,000,000	Pre-operating Expenses	35,625,000
IPO Proceeds	467,135,882	Interest During Construction	22,875,000
		Working Capital*	20,662,000
		Contingency**	70,125,000
Total	**1,264,162,000**	**Total**	**1,264,162,000**

**Working Capital: The Company expects to operate Line III in the fourth quarter of 2013, which is why it should maintain a stock of raw materials, such as limestone, clay and other additives, in addition to some of the finished goods. Company's future sales are also included in the working capital.*

***Contingency: In large projects, costs may exceed forecasts and unexpected expenses may occur. This is why the Company plans to allocate SAR 12.5 million in 2012, and SAR 57.6 million in 2013, in order to maintain the capital budget.*

As shown in the table above, the Company intends to meet the investment costs associated with Line III from IPO proceeds and bank financing. The Company has already secured financing from BSF for an amount of SAR 500 million, (*refer to Section 15.4.2 for more details on this*).

12.3 EPC Contract with Nesma & Partners Contracting Co. Ltd.

The Company has awarded the contract for the construction and establishment of Line III to Nesma & Partners Contacting Co. Ltd. (*for further information, please refer to section 15.5 of the Prospectus*). The contract, which includes engineering, procurement and construction of Line III, has a total value of SAR 1,056,375,000 (not including the various incentive bonuses valued at a total of SAR 16,875,000).

The contract provides for the development of a power plant consisting of five diesel generators for a total cost of SAR 183,000,000, with a power production capacity of 35 MW. In February 2012, the Company has requested an amendment to the contract[22] in the form of a variation order which alters the scope of Line III contract to include the engineering, procurement and construction of only two diesel generators with a power production capacity of 14MW. The Company will thus cover its anticipated electricity needs by establishing a WHR Plant, as further discussed below.

As a result of the reduction of Line III contract value, Line III EPC costs will be reduced by SAR 109,800,000, which will bring contract value down to SAR 946,570,000.

The table below shows costs breakdown of EPC contract with Nesma & Partners Contracting Co. Ltd.

Table 12-2: Project Cost Breakdown as per the Contract with Nesma & Partners Contracting Co. Ltd.

	Price SAR	Price US$
Total Project Cost of Line III	843,750,000	225,000,000
Power Plant	73,200,000	19,520,000
Residential	22,500,000	6,000,000
Water & Sewer System	7,125,000	1,900,000
Total EPC Contract Cost for Line III	**946,575,000**	**252,420,000**
COST BREAKDONW		
Mobilization		

22 The Company expects to amend the Contract in March 2012

	Price SAR	Price US$
Colony	675,000	180,000
Production Line	25,312,500	6,750,000
Power Plant	1,499,681	399,915
Total Mobilization	**27,487,181**	**7,329,915**
Design		
Colony	450,000	120,000
Production Line	16,875,000	4,500,000
Power Plant	997,039	265,877
Total Design	**18,322,039**	**4,885,877**
Major Equipment / Material		
Production Line	351,222,750	93,659,400
Power Plant	26,874,761	7,166,603
Fuel Tanks	31,999,999	8,533,333
Total Major Equipment / Material	**410,097,510**	**109,359,336**
Construction		
Colony	21,375,000	5,700,000
Production Line	450,339,750	120,090,600
Power Plant	11,828,520	3,154,272
Water & Sewer Systems	7,125,000	1,900,000
Total Construction	**490,668,270**	**130,844,872**
TOTAL CONTRACT PRICE FOR LINE III	**946,575,000**	**252,420,000**
Incentive Bonus*	5,625,000	1,500,000
Excess Production Bonus**	11,250,000	3,000,000

** If Nesma & Partners Contracting Co. Ltd completes the project within 21 months*

*** If average clinker production of 7,000 tpd for one week with contract period of 23 months is achieved*

12.4 EPC Contract for the Construction of a WHR Plant with Sinoma WHR Limited

On 1 March 2012G, the Company awarded an EPC Contract for the WHR Plant to Sinoma WHR Limited. The contract, which includes engineering, procurement and construction of a WHR plant, will be the first of its kind in the Kingdom of Saudi Arabia, and will have a total value of SAR 168.3 million.

The WHR Plant will partially absorb the heat of furnaces and boilers that are used in the burning process, and will generate a net energy of 25.17 MW. The purpose behind the construction of the WHR Plant is to ensure that the emission of carbon dioxide emissions from the Main Plant are reduced, thereby allowing NCC to be more successful in maintaining its status as an environmentally friendly company. The Plant will also reduce the Company dependence on heavy fuel oil by approximately 38,750M3 per annum.

The total cost of the WHR Plant amounts to SAR 168,300,000. However, after the installation of the WHR Plant, the Company will only need two diesel generators to generate a power capacity of 14MW. This will reduce the construction costs of a traditional power plant with five generators by SAR 109,800,000

The table below shows details of the total contract value.

Table 12-3: Project Cost Breakdown as per the Contract with Sinoma WHR Limited

WHR Project	Price SAR	Price US$
Mobilization	304,671	81,245
Design	304,671	81,245
Major Equipment / Material	158,550,543	42,280,145
Construction	9,140,116	2,437,364
TOTAL CONTRACT PRICE FOR SINOMA WHR PROJECT	**168,300,000**	**44,880,000**

Table 12-4: Project Schedule and Required Costs for the Contract with Nesma & Partners Contracting Co. Ltd. and the Contract with Sinoma WHR Company Limited

In Saudi Riyals					
	2011	2012	2013	2014	Total for Line Item
Mobilization	**4,123,077**	**21,027,694**	**-**	**2,336,410**	**27,487,181**
Design	**2,748,306**	**14,016,360**	**-**	**1,557,373**	**18,322,039**
Major Equipment / Material					
15% Advance Payment	61,514,627	-	-		61,514,627
10% Down Payment	51,513,750	-	-		51,513,750
70% Upon Shipment	-	23,544,984	203,807,572		227,352,556
10% Upon Delivery*	-	13,727,220	21,131,068	-	34,858,288
10% Upon Final Payment	-	-	-	34,858,289	34,858,289
Sub-total for Major Equipment / Material	**113,028,377**	**37,272,294**	**224,938,640**	**34,858,289**	**410,097,510**
Construction**	**73,600,240**	**74,128,650**	**301,232,577**	**41,706,803**	**490,668,270**
Total for Nesma Contract	**193,500,000**	**146,444,908**	**526,171,217**	**80,458,875**	**946,575,000**
WHR Project	**-**	**67,227,780**	**84,242,220**	**16,830,000**	**168,300,000**
Use of Funds					
Pre-Operating Expenses	3,894,394	1,649,557	24,607,718	5,473,331	35,625,000
Interests During Construction	-	8,738,762	14,136,238	-	22,875,000
Working Capital	-	-	20,662,000	-	20,662,000
Contingency	-	12,500,000	57,625,000	-	70,125,000
Total Use of Funds	197,394,394	236,561,007	727,444,393	102,762,206	1,264,162,000
Sources of Funds					
Internal Cash	3,894,394	-	190,369,518	102,762,206	297,026,118
Bank Financing	193,500,000	-	306,500,000	-	500,000,000
IPO Proceeds	-	236,561,007	230,574,875	-	467,135,882
Total Sources of Funds	**197,394,394**	**236,561,007**	**727,444,393**	**102,762,206**	**1,264,162,000**

**Assuming 50% of the Equipment is delivered in 2012 and the remaining 50% in 2013*

*** Assuming 50% of Civil Construction happens in 2012 and the remaining 50% in 2013*

Table 12-5: Schedule of Interim Expenses for the Costs of Contract with Nesma & Partners Contracting Co. Ltd. and the Contract with Sinoma WHR Company Limited (on a quarterly basis)

In Saudi Riyals			
Period	**Cost**	**Year**	**Total Costs**
Costs incurred in Q4 2011	197,394,394	2011G	**197,394,394**
Expected costs for Q1 2012	18,846,580	2012G	**236,561,007**
Expected costs for Q2 2012	67,209,482		
Expected costs for Q3 2012	71,190,097		
Expected costs for Q4 2012	79,314,848		
Expected costs for Q1 2013	255,646,369	2013G	**727,444,393**
Expected costs for Q2 2013	226,528,737		
Expected costs for Q3 2013	128,296,532		
Expected costs for Q4 2013	116,972,755		
Expected costs for Q1 2014	33,389,781	2014G	**102,762,206**
Expected costs for Q2 2014	69,372,425		
Expected costs for Q3 2014	-		
Expected costs for Q4 2014	-		
Total Expected Costs			**1,264,162,000**

The project is currently in the phase of preparation and operation, with more than 100 Nesma & Partners Contracting Co. Ltd. employees working on-site and more staff expected to join them shortly. Drilling and technical survey are also taking place at the site.

13. Description of the Shares

13.1 Share Capital

The share capital of the Company is SAR 1,700,000,000 divided into 170,000,000 equal ordinary shares (out of which SAR 1,219,000,000 is fully paid up and the remaining SAR 481,000,000 will be paid up upon completion of the Offering), each with a nominal value of SAR 10. Once it is ascertained to be economically feasible and after obtaining the approval of the competent authorities, the General Assembly may, in an Extraordinary Meeting, adopt a resolution to increase the Company's capital once or several times, provided that the original capital shall have been paid in full, with due consideration to the requirements of the Companies Regulations. Said resolution shall specify the mode of increasing the capital, and the Shareholders shall have pre-emptive rights to subscribe for the new shares where these shares are issued for consideration. The Shareholders must be notified of their pre-emption right through an announcement in a daily newspaper or through notices sent by registered mail. The Shareholders must express their desire to exercise such rights within fifteen (15) days of publication of the decision to increase the share capital in a daily newspaper or of their receipt of the aforementioned notice. The said shares shall be allotted to original Shareholders who have expressed their desire to subscribe thereto, in proportion to the original shares owned by them, provided that the number of shares allotted to them does not exceed the number of new shares they have applied for. The remaining new shares shall be allotted to the original shareholders who have asked for more than their proportionate share, in proportion to the original shares they own, provided that their total allotment does not exceed the number of new shares they have asked for. Any remaining new shares shall be offered for public subscription.

The Company may, based on certain justifiable causes, reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision must be made through a resolution adopted by the General Assembly in an Extraordinary Meeting, and requires approval of the Minister of Commerce and Industry and the CMA. Such resolution shall be issued only after reading the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations, with due consideration to the provisions of the Companies Regulations. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is undertaken because it is in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

13.2 Shares

The shares shall be nominal shares and may not be issued at less than their nominal value. However, the shares may be issued at a value higher that their nominal value, in which case, the difference in value shall be added to the legal reserve, even if the reserve has reached its maximum limit. A share shall be indivisible. If a share is held by several persons, they shall designate one person to act on their behalf in exercising the rights connected with the share. In such a case, they shall be jointly responsible for the obligations resulting from the share ownership.

13.3 Transfer of Shares

Transfer of shares shall be subject to the rules and regulations governing listed companies on the Saudi Exchange (Tadawul).

13.4 Voting Rights

Each Shareholder holding twenty (20) shares or more shall have the right to attend the General Assemblies, and each Shareholder may authorize another Shareholder, other than the members of the Board of Directors, to attend the General Assembly on their behalf. Votes at the meetings of Ordinary and Extraordinary General Assemblies shall be computed on the basis of one vote for each share represented at the meeting.

Resolutions of the Ordinary General Assembly shall be adopted by an absolute majority of the shares represented thereat. Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two thirds (2/3) of the shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's period, dissolving the Company prior to the expiry of the period specified under the Bylaws or merging the Company with another company or establishment, then such resolution shall be valid only if adopted by a majority of three-quarters (3/4) of the shares represented at the meeting.

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions to the member of the Board and the auditor on this respect. The Board of Directors or the auditors shall answer the Shareholders' questions to the extent that this does not jeopardize the interest of the Company. Should a Shareholder consider the reply unsatisfactory, he can resort to the General Assembly, whose resolution is to be considered as final.

13.5 Shareholders' Rights

Each share shall give its holder equal rights in the Company's assets and dividends as well as the right to attend and vote at meetings of the General Assembly.

13.6 Ordinary General Assembly

A General Assembly duly convened shall be deemed to represent all the Shareholders, and shall be held in Najran.

Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Extraordinary Ordinary Assemblies may be called under the same conditions applicable to the Ordinary General Assemblies.

A notice of the date and agenda of the General Assembly shall be published in the Official Gazette and in a daily newspaper circulated in Najran at least twenty-five (25) days prior to the time set for such meeting. The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the Auditors or by a number of Shareholders representing at least five percent (5%) of the Company's capital.

The meeting of the Ordinary General Assembly shall not be quorate unless attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened within the following days. Such notice shall be published in the same manner describe above. The second meeting shall be deemed valid irrespective of the numbers of shares represented.

To have a quorum, the meeting of the Extraordinary General Assembly should be attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such requirement is not met in the first meeting, a second meeting shall be convened within the following thirty (30) days. The second meeting shall be considered as having the quorum if attended by a number of Shareholders representing at least one-quarter of the Company's capital.

The General Assembly shall be presided over by the Chairman of the Board of Directors or, in his absence, the person designated by him. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes shall be prepared for the meeting showing the names of Shareholders present in person or represented by proxy, the number of the shares held by each, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman, the secretary and the canvasser.

13.7 Duration of the Company

The duration of the Company shall be 99 Hijri Years commencing on 28/8/1426H (corresponding to 2/10/2005G) being the date of issuance of the Ministerial Decision declaring its establishment. The Company's period may always be extended through a resolution adopted by the General Assembly in an Extraordinary Meeting before the end of the Company duration by at least one year.

14. Summary of Bylaws

The following is a summary of the Company's Bylaws. In addition to the Shareholders' rights mentioned in the Bylaws, there are other Shareholder's rights and responsibilities mentioned under the Companies Regulations issued by the Ministry of Commerce and Industry.

14.1 Name of the Company

The name of the Company is "Najran Cement Company", a Saudi joint stock company.

14.2 Objectives of the Company

The Company is entitled to undertake and execute the following objectives:

- Production of Portland cement, regular and resistant, as per the Ministerial Industrial Decision number (1693) dated 28/11/1425H.
- Wholesale and retail commerce of the Company's products and construction materials.
- The establishment or co-establishment of industrial services companies for the purpose of conducting maintenance and services to plants within or outside the Kingdom.
- Managing and operating Portland cement (regular and resistant or other) plants.
- The acquisition of lands, real estate and patents and benefit from its use in achieving its industrial objectives within and outside of the Kingdom.
- Commercial representation.
- The Company commits, in order to practice all of its objectives, to obtain all of the necessary permits as requested by the current regulations in the Kingdom of Saudi Arabia.
- The Company may have an interest in, or participate in any way with entities or companies carrying on activities similar or complementary to its own, or which may assist the Company to realize its objects. Further, the Company may own share or stock in, merge with or purchase other companies.

14.3 Head Office of the Company

The head office of the Company is in the city of Najran. The Board may open branches, agencies or offices inside or outside the Kingdom of Saudi Arabia.

14.4 Duration of the Company

The duration of the Company shall be ninety-nine (99) Hijri years commencing on the date of issuance of the Minister of Commerce and Industry's resolution announcing the incorporation of the Company. The Company's duration may always be extended by a resolution of the Extraordinary General Assembly taken at least one year prior to the expiration of the term of the Company.

14.5 Share Capital of the Company

The share capital of the Company is SAR 1,700,000,000 (one billion seven hundred million Saudi Riyals), divided into 170,000,000 (one hundred seventy million) shares with a nominal equal value of SAR 10 (ten Saudi Riyals), all of which are ordinary shares.

14.6 Subscription

The Founding Shareholders subscribed to 121,900,000 (one hundred twenty-one million nine hundred thousand) shares with a value of SAR 1,219,000,000 (one billion two hundred nineteen million Saudi Riyals from a total of 170,000,000 (one hundred seventy million) shares with a value of SAR 1,700,000,000 (one billion seven hundred million Saudi Riyals), with the partial payment of the capital being made at incorporation.

The Company has committed itself to put 50% of the shares of the Company for public subscription at actual cost according to procedures established by the Authority, and the founders have waived their right of priority in the subscription.

14.7 The Shares

The shares are nominal shares and may not be issued at less than their nominal value. However, they may be issued at a premium, in which case the differential shall be added to the statutory reserve even if it has reached the maximum limit prescribed in the Companies Regulations. The shares are indivisible. If a share is jointly owned by several persons, they must elect one of them to exercise the right attached to such share on their behalf and they shall be jointly liable for all the obligations arising from such ownership.

14.8 Trading of Shares

Upon their listing, the Shares shall be tradable in accordance with the rules and regulations of the Authority, except for the shares of founding shareholders, which may only be transferred in accordance with the applicable rules and regulations of the Kingdom of Saudi Arabia.

14.9 Shareholders Register

Registered shares shall be transferred by means of an entry in the shareholder register kept by the Company, which contains the shareholders' names, nationalities, residence, addresses, and occupations, and the serial numbers of the shares and the amounts paid up on such shares. An annotation shall be made on the share warrant to the effect that such entry was made. A transfer of title to any registered share shall be effective as far as the Company or third parties are concerned only from the date of its entry in the said register or the completion of the Automated Title Transfer of the Shares' Information.

Subscribing and owning the Shares means the acceptance of the shareholder for the Company's Bylaws and his commitment to the shareholders assemblies' resolution in regards to the regulations of this Bylaws, whether he was present or absent, or whether he agrees with these resolutions or not.

14.10 Increase of Share Capital

Once it is ascertained to be economically feasible and after obtaining the approval of the competent authorities, the General Assembly may, in an Extraordinary Meeting, adopt a resolution to increase the Company's capital once or several times by issuing new shares having the same nominal value as the original shares, provided that the original capital shall have been paid in full, with due consideration to the requirements of the Companies Regulations. The said resolution shall specify the mode of increasing the capital.

The shareholders shall have pre-emptive rights to subscribe for the new cash shares. The shareholders shall be notified of the pre-emptive rights vested in them by notice to be published in a daily newspaper addressing the capital increase resolution and the conditions of subscription, or by written notice to the shareholder by registered mail. Each Shareholder shall express the desire to exercise such pre-emptive rights, if they so wish, within fifteen (15) days of the publication of such notice or receipt of such notice by registered mail.

The said shares shall be allotted to original shareholders who have expressed their desire to subscribe thereto, in proportion to the original shares owned by them, provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for. The remaining new shares shall be allotted to original shareholders who have asked for more than their proportionate share, in proportion to the original shares they own, provided that that their total allotment does not exceed the number of new shares they have asked for. The rest of the Shares shall be offered for the public's subscription.

14.11 Decrease of Share Capital

The Company may, based on certain justifiable causes, reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision must be made through a resolution adopted by the General Assembly in an Extraordinary Meeting, and such resolution shall be issued only after reading the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations, with due consideration to the provisions of the Companies Regulations. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. If one of the creditors objects and presents documents to the Company during this period, the Company shall be obliged to pay him his debt if it is immediate, or sufficient guarantees of payment must be paid later.

14.12 Constitution of the Board of Directors

The Company shall be managed by a Board of Directors composed of seven (7) members, appointed by the Ordinary General Assembly for a term of three (3) years.

14.13 Qualification Shares

A Director must own a number of shares whose value shall not be less than SAR 10,000 (ten thousand Saudi Riyals). These shares shall, within thirty (30) days of the date of his appointment, be deposited in one of the banks designated by the Minister of Commerce and Industry for this purpose. They shall be set aside as a guarantee for the Director's liability, and shall remain non-negotiable until the lapse of the period specified for hearing the action in liability provided for in Article seventy-seven (77) of the Companies Regulations, or until a decision has been rendered on such action.

If a Director fails to submit such guarantee shares within the period specified therefore, he shall forfeit his directorship.

14.14 Vacancies

Membership of the Board of Directors shall be terminated upon the expiration of the appointment period. Termination of membership shall also occur under any law or regulations prevailing in the Kingdom of Saudi Arabia. If the office of a director becomes vacant, the Board may appoint a temporary director to fill the vacancy, provided that such appointment is made before the first Ordinary General Assembly. The new Director shall complete the unexpired term of his predecessor. If the number of Directors falls below the minimum quorum prescribed (five members), the Ordinary General Assembly must convene as soon as possible to appoint the required number of Directors.

14.15 Powers of the Board of Directors

Without prejudice to the powers conferred on the General Assembly, the Board of Directors shall be vested with full powers to manage the business of the Company and supervise all of its affairs. The Board of Directors is empowered, for example and without limitation, to ratify contracts and enter into bids for the account of the Company, buy, sell, mortgage and lease all movable and immovable assets of the Company and discharge the Company's debtors of their debts, obligations and all of the other activities fulfilling the Company's objectives. The Board of Directors also has the right to donate to charities and accept gifts; to establish companies in which the Company participates; to make any necessary amendments, including capital increases or decreases; to sell or buy parts of these companies; to accept the joining or withdrawal of a partner; to amend the Company's administration or its objects or any articles or the Bylaws in front of a Notary; all of the other authorized authorities; and also to sign all agreements.

The Board of Directors has the right to approve loan agreements of more than three years and to give guarantees for it, subject to these conditions:

- The Board of Directors must specify in their decision the way the loan should be spent and how to pay it;
- The Board of Directors must take into consideration that the loan's conditions and the guarantees given do not harm the Company, its shareholders and the creditors' general guarantees.

14.16 Remuneration of Board of Directors

The remuneration of the board members shall consist of SAR 200,000, (two hundred thousand Saudi Riyals) which should not exceed ten percent (10%) of the net profits of the Company, to be distributed after deduction of expenses, depreciations and such reserves as are determined by the General Assembly and after the distribution of a dividend of not less than five percent (5%) of the Company's capital to the shareholders. The payment of attendance fees and transportation allowances is determined by the General Assembly. The Board of Directors' report to the Ordinary General Assembly must include a comprehensive statement of all the amounts received by the Directors during the financial year in the way of emoluments, share in the profits, attendance fees, expenses and other benefits as well as of all the amounts received by the Directors in their capacity as officers or executives of the Company, or in consideration for technical, administrative or advisory services.

14.17 Board Chairman and Secretary

The Board shall appoint from among its members a Chairman. The Chairman has all the Board's competences and represents the Company towards third parties, before the judiciary system, most of the courts and the judiciary committees and Notaries and with most of the official or non-official parties. The Chairman has also the right to defend and plead and sign the Articles of Association of the companies in which the Company participates and any other amendments and other contracts, obligations, documents transfer, accounts openings in banks, withdrawal and depositing, investing and accounts closing, liquidating the accounts, opening of securities credits and signing before the Notary Public and the official authorities as appointed by the Boards of Directors, and anything related to management of the Company and the achievement of its objectives, and anything the Board of Directors requires the Chairman to do.

The Board of Directors shall also appoint a secretary from among its members or others, who will be responsible for recording the Board meetings' minutes and preparing these meetings. The Board of Directors shall fix his remuneration in his appointment decision. The term of office of the Chairman and the secretary who is a Director shall not exceed the term of their respective directorships on the Board. The re-appointment of the Board's secretary (who is a Director) and the renewal of the term of the Chairman are always permitted.

14.18 Executive Committee

The Board of Directors shall appoint from among its members an Executive Committee of at least three Directors who shall chose a president from amongst them. The Executive Committee is responsible for the follow-up and execution of the Board's decisions. The Committee holds its meeting at the invitation of its president.

14.19 Board Meetings

The Board shall meet at least four (4) times a year at an invitation in writing from its Chairman (at least fifteen (15) days prior to the meeting's date). The Chairman must convene the Board if requested to do so by two (2) Directors. The meeting shall be held at the head office of the Company or any other place as determined by the Board.

The Board of Directors may issue its decisions, if urgent, through individual votes by its members by means of telegram or fax, unless two (2) of its members request in writing that a Board meeting be held to discuss the voting, though the decision should be presented to the Board in its first subsequent meeting for its approval.

14.20 Quorum and Representation

A meeting of the Board shall be valid only if at least five (5) Directors are present. In a case where a member is represented by another member at a meeting, the representation is subject to the following:

- A Director should not represent more than one member at any one meeting.
- The representative should be appointed in writing.
- The representative may not vote on resolutions that the principal is prohibited by the Bylaws from voting on.

The decisions are made by the absolute majority of those Directors who are present or represented. In case of a tie, the vote of the Chairman shall prevail.

14.21 Minutes of Meetings

Deliberations and resolutions of the Board shall be recorded in minutes to be signed by the Chairman and the secretary. Such minutes shall be entered in a special register, which shall be signed by the Chairman and the secretary.

14.22 Ordinary General Assembly

Except for matters falling within the jurisdiction of the Extraordinary General Assembly, the Ordinary General Assembly shall be competent in all matters related to the Company and shall convene at least once a year within six (6) months of the end of the Company's financial year. Other Ordinary General Assemblies may be convened whenever the need arises.

14.23 Extraordinary General Assembly

The Extraordinary General Assembly shall be competent to amend the Company's Bylaws except in respect of the matters excluded by the Companies Regulations from the scope of its competence. It also has the right to adopt a resolution to shorten the Company's duration, or to dissolve it for any reason before the expiration of its term. The Extraordinary General Assembly may adopt resolutions on matters falling primarily within the jurisdiction of the Ordinary General Assembly, subject to the same conditions and in the same manner as prescribed for the latter.

14.24 Ordinary General Assembly Meeting

The Ordinary General Assembly shall be held at the request of the Board of Directors, and the Board must call an Ordinary General Assembly meeting if the auditor or Shareholders representing at least five percent (5%) of the Company's capital request such a meeting. The invitation to the Ordinary General Assembly should be published in the Official Gazette and a local newspaper that is distributed in Najran at least twenty five (25) days prior to the meeting date. The invitation should include the agenda of subjects to be discussed. A copy of the invitation and agenda are to be sent to the General Administration of Companies at the Ministry of Commerce and Industry during the time period set for publication.

14.25 Attendance at the Assembly

A statement shall be prepared showing the names of the shareholders present or represented and their addresses, as well as the number of shares held by them and the number of votes to which they are entitled. Any interested party shall have the right to access such list.

14.26 Ordinary General Assembly Quorum

The Ordinary General Assembly shall be validly held if attended by shareholders representing at least one half (1/2) of the Company's capital. If this quorum is not met at the first meeting, a notice shall be sent for a second meeting to be held within thirty (30) days following the previous meeting, and the notice shall be sent in the manner prescribed by the Bylaws. The second meeting shall be deemed valid irrespective of the number of shares represented thereat.

14.27 Extraordinary General Assembly Quorum

The Extraordinary General Assembly shall be validly held if attended by shareholders representing at least one half (1/2) of the Company's capital. If this quorum is not met at the first meeting, a notice shall be sent for a second meeting in the same manner as prescribed in the Bylaws. The second meeting shall be valid if attended by a number of shareholders representing at least one quarter (1/4) of the Company's capital.

14.28 Voting Rights

Votes in the Ordinary General Assembly and the Extraordinary General Assembly are counted as one vote for each share. However, Directors may not participate in voting on resolutions of a meeting pertaining to their relief from liability for their administration.

The Ordinary General Assembly passes its resolutions with an absolute majority of shares represented during the meeting.

The Extraordinary Assembly passes its resolutions with a two-thirds majority of the shares represented during the meeting, unless the resolution regards the increase or decrease of the capital, the extension of the duration of the Company, its windup, or its merger with another company or establishment, in which case a three-quarters majority of the shares represented during the meeting is needed.

14.29 The Agenda

Every shareholder shall have the right to discuss the matters listed on General Assembly agendas and to address questions to the Directors and the auditor in respect thereof. The Directors or the auditor shall respond to these questions, but not to the extent of jeopardising the Company's interests. If a shareholder feels that the answer to a question put by him is unsatisfactory, he may appeal to the General Assembly, whose decision shall be final in this respect.

14.30 Assembly Presidency

The General Assembly is presided over by the Chairman or the vice-chairman in case of his absence, or anyone who represents him. The Chairman appoints the meeting's secretary and a canvasser and prepares a list indicating the names of the present shareholders, their representatives, the number of shares they own, or by proxy, the number of votes allocated for them, the resolutions that have been adopted, the number of votes agreeing or disagreeing, and a summary of the discussions that took place during the meeting. The minutes should be written in an orderly manner after each meeting and deposited in a special register signed by the Chairman, the secretary and the canvasser.

14.31 Appointment of Auditor

The Company shall have one or more auditors selected from among the certified public auditors licensed to practice in Saudi Arabia. The auditor shall be appointed and its remuneration fixed by the Board. The Board may reappoint the same auditor.

14.32 Auditor's Access to Records

The auditor shall have access at all times to the Company's books, records and any other documents, and may request information and clarification as it deems necessary. It may further investigate the Company's assets and liabilities.

14.33 Auditor's Report

The auditor shall submit to the annual Ordinary General Assembly a report indicating the extent to which the Company has facilitated access to the information and clarifications the auditor has requested; any violations of the Companies Regulations and Bylaws; and its opinion as to whether the Company's accounts conform to the facts.

14.34 Fiscal Year

The Company's first fiscal year shall start on the date of the Ministerial resolution announcing the establishment of the Company and shall end at the end of the following year. Thereafter, the Company's fiscal year will be for a period of twelve (12) months.

14.35 Annual Accounts

The Board shall prepare at the end of each fiscal year an inventory of the Company's assets and liabilities on such date, the Company's balance sheet and profit and loss account, a report on the Company's activities and its financial position for the preceding year and its proposals as to the distribution of the net profits, at least sixty (60) days prior to the Ordinary General Assembly. The Board shall put such documents at the auditor's disposal at least fifty-five (55) days prior to the time set for convening the Ordinary General Assembly. Such documents shall be signed by the Chairman of the Board and a set thereof shall be made available at the Company's head office for the shareholders' review at least twenty-five (25) days prior to the time set for convening the Ordinary General Assembly. The Chairman of the Board shall cause the Company's balance sheet, profit and loss account, a comprehensive summary of the Board's report and the full text of the auditor's report to be published in a newspaper circulated in the city where the Company's head office is located, and shall send copies of such documents to the Companies Department at the Ministry of Commerce and Industry at least twenty-five (25) days prior to the date set for the Ordinary General Assembly.

14.36 Distribution of Annual Profits

The annual net profit of the Company shall be distributed after deducting general expenses and other costs, as follows:

1. Ten percent (10%) of the net profit shall be set aside to form a statutory reserve. The Ordinary General Assembly may discontinue said deductions when the statutory reserve amounts to half of the Company's share capital.
2. The Ordinary General Assembly may, if proposed by the Board, set aside ten percent (10%) of the net profit to form an additional reserve for certain purposes, as may be determined by the Ordinary General Assembly and may discontinue said deductions when the additional reserve amounts to half of the Company's share capital.
3. Using the remaining amount, a first dividend payment of five percent (5%) shall be allocated to the shareholders out of the paid-up capital.
4. Ten percent (10%) of the remainder shall be allocated to the Board as compensation with a limit of SAR 200,000 for each Director.
5. The remaining amount shall be distributed –thereafter- to the shareholders as an additional share of the profits or carried forward for the coming years as agreed by the Ordinary General Assembly.

14.37 Distribution of Dividends

The Company may distribute dividends to Shareholders at the time and place determined by the Board after complying with the applicable requirements established by the competent authorities.

14.38 Company Losses

If the Company's losses total three-quarters (3/4) of its capital, then the Board shall call an Extraordinary General Assembly to consider whether the Company shall continue to exist or be dissolved prior to the expiry of the period specified in the Bylaws. In all cases the Assembly's resolution shall be published in the Official Gazette.

14.39 Disputes

Each Shareholder shall have the right to file a liability action, vested in the Company, against the members of the Board if they have committed an error which has caused particular damage to such Shareholder, provided that the Company's right to file such action is still be valid. The Shareholder shall notify the Company of its intention to file such actions.

14.40 Dissolution and Winding-up of the Company

Upon the expiry of the Company's period of duration, or if it is dissolved prior to the time set for the expiry therefore, the Extraordinary General Assembly shall, based on a proposal by the Board, decide the method of liquidation and appoint one or more liquidators and specify their powers and fees. The powers of the Board shall cease upon the Company's expiry. However, the Board shall remain responsible for the management of the Company until the liquidators are appointed. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidator.

15. Legal Information

15.1 The Company

Najran Cement Company was established pursuant to Ministerial Resolution No. 1484 dated 28/8/1426H (corresponding to 20/10/2005G) as a closed joint stock company and under commercial registration number 5950010479 dated 5/9/1426H (corresponding to 8/10/2005G).

15.2 Share Capital

The Shareholders of the Company before and after the Offering are as follows:

No.	Selling Shareholders	Pre-Offering		Post-Offering	
		No. of Shares	% of Shareholding	No. of Shares	% of Shareholding
1.	Majid Bin Ibrahm Bin Abdulaziz Al Ibrahim	31,798,940	26.086%	22,173,174	13.043%
2.	Abdullah Bin Abdulaziz Bin Saleh Al Rajhi	15,898,940	13.043%	11,086,217	6.521%
3.	Mohammad Bin Mana'a Bin Sultan Aballala	8,783,176	7.205%	6,124,446	3.603%
4.	Abdul Latif Saud Al Babtain and Brothers Trading and Contracting Company	7,736,940	6.347%	5,394,913	3.173%
5.	SKAB Group Company	7,420,000	6.087%	5,173,913	3.043%
6.	Prince Mishal Bin Saud Bin Abdulaziz Al Saud	7,420,000	6.087%	5,173,913	3.043%
7.	Khalid Bin Saud Abdullah Al Shabeli	5,300,000	4.348%	3,695,652	2.174%
8.	Abderehman Bin Mushabbab Bin Ali Al Kenani	5,300,000	4.348%	3,695,652	2.174%
9.	Al Mohaisen and Sons Holding Co.	3,708,940	3.043%	2,586,217	1.521%
10.	Abdulla and Saeed Bin Zager Co. Ltd	3,180,000	2.609%	2,217,391	1.304%
11.	Abdullah Bin Salim Bin Wesaimer Al Wesaimer	2,459,200	2.017%	1,714,783	1.008%
12.	Walid Bin Ibrahim Bin Abdulaziz Al Ibrahim	2,120,000	1.739%	1,478,261	0.870%
13.	Saudi Trading and Contracting Establishment – for its owner Omar Babatin	1,856,325	1.523%	1,294,402	0.761%
14.	Khalid Bin Saleh Bin Abdulaziz Al Rajhi	1,590,000	1.304%	1,108,696	0.652%
15.	Abdul Mohsin Bin Abdullah Bin Fahd Al Hokair	1,590,000	1.304%	1,108,696	0.652%
16.	Abdul Rehman Abdullah Al Moosa and Sons Co. Ltd	1,590,000	1.304%	1,108,696	0.652%
17.	Riyadh World Food Company	1,590,000	1.304%	1,108,696	0.652%
18.	Al Saedan Real Estate Co	1,590,000	1.304%	1,108,696	0.652%
19.	Al Marqab Co. for its owner Hend Al Haidar and partners	1,325,000	1.087%	923,913	0.543%
20.	Khalid Bin Nasser Bin Abdulla Al Missned	1,114,574	0.914%	777,185	0.457%
21.	Mohammed Bin Ibraim Bin Abdulaziz Al Ibrahim	1,060,000	0.870%	739,131	0.435%
22.	Abdul Aziz Bin Ibrahim Bin Abdulaaziz Al Ibrahim	1,060,000	0.870%	739,131	0.435%

No.	Selling Shareholders	Pre-Offering		Post-Offering	
		No. of Shares	% of Shareholding	No. of Shares	% of Shareholding
23.	Khalid Bin Ibrahim Bin Abdulaziz Al Ibrahim	1,060,000	0.870%	739,131	0.435%
24.	Princess Sarah Bint Faisal Bin Turki Bin Abdulaziz Al Saud	1,060,000	0.870%	739,131	0.435%
25.	Saudi Pan Kingdom	795,000	0.652%	554,348	0.326%
26.	Al Trais Saudi Company for Trade Ind. and Contracting	795,000	0.652%	554,348	0.326%
27.	Princess Norah Bint Nawaf Bin Mishal Bin Saud Al Saud	530,000	0.435%	369,565	0.217%
28.	Prince Mishal Bin Nawaf Bin Mishal Bin Saud Al Saud	530,000	0.435%	369,565	0.217%
29.	Prince Abdulaziz Bin Nawaf Bin Mishal Bin Saud Al Saud	530,000	0.435%	369,565	0.217%
30.	Sultan Bin Aadi Bin Musleh AlMutairi	397,500	0.326%	277,174	0.163%
31.	Al-Balaha Trading and Marketing Co. for its owner Shafya al-Degaither	263,940	0.217%	184,044	0.108%
32.	Mohammad Bin Abdul Aziz bin Suleiman Al-Saleem	257,580	0.211%	179,609	0.106%
33.	Thamarat Najran Co. Ltd	99,640	0.082%	69,478	0.041%
34.	Prince Nawaf Bin Mishal Bin Saud Al Saud	42,665	0.035%	29,750	0.018%
35.	Ismail Mohammed Amin Hassan	26,500	0.022%	18,478	0.011%
36.	Salman Bin Saleh Bin Hoshan Al Hoshan	7,420	0.006%	5,174	0.003%
37.	Daifullah Bin Omar AlGhamdy	1,060	0.001%	739	0.000%
38.	Fahd Bin Abdullah Bin Abdulaziz Al Rajhi	1,060	0.001%	739	0.000%
39.	Abdulwahab Bin Saud Bin Abdulaziz Al Babtain	1,060	0.001%	739	0.000%
40.	Bader Bin Abdulmuhsin Bin Abdurrhaman AlMuhaisen	1,060	0.001%	739	0.000%
41.	Omar Bin Ali Babtain	1,060	0.001%	739	0.000%
42.	Muhammad Bin Salah al-Din Salhab	1,060	0.001%	739	0.000%
43.	Ali Bin Mohammed Bin Jarallah al-Taweel al-Yami	1,060	0.001%	739	0.000%
44.	Mohammed Bin Rashid Bin Mansour Al-Sharman	1,060	0.001%	739	0.000%
45.	Hussein Bin Mohammad Bin Hadi Al-Yami	1,060	0.001%	739	0.000%
46.	Adel bin Mohammed Jaber al- Gunh Al-Yami	1,060	0.001%	739	0.000%
47.	Abdul Aziz Bin Faris Bin Dawas Al-Yami	1,060	0.001%	739	0.000%
48.	Abdullah bin Jabir bin Abdullah Qonnah	1,060	0.001%	739	0.000%
49.	Public	0	0.000%	85,000,000	50.000%
	Total	**121,900,000**	**100.00%**	**170,000,000**	**100.00%**

15.3 Summary of Material Government Licenses

The Company believes that it has obtained all the relevant permits required for its operations, including the necessary permits from the Ministry of Commerce and Industry, the MPMR, the Presidency of Meteorology and the Environment, and the Electricity and Co-Generation Authority.

15.3.1 Commercial Registration

The Company was established pursuant to Ministerial Resolution No. 1484 dated 28/8/1426H (corresponding to 20/10/2005G) as a closed joint stock company and under commercial registration number 5950010479 dated 5/9/1426H (corresponding to 8/10/2005G) and issued in Najran. The Commercial Registration Certificate expires on 5/9/1436H (corresponding to 22/6/2015G).

15.3.2 Industrial License

The Company has an industrial license from the Ministry of Commerce and Industry dated 25/7/1432H (corresponding to 27/6/2011G) which is valid for three (3) years from the date of issuance. The license permits the Company to produce up to 5.2 million of OPC and 300,000 SRC cement. The total production capacity pursuant to the license is 5.5 million tons of cement every year.

This license includes the Company's expansion plans in relation to Line III which is expected to produce 1.9 million tons per year of OPC once it is operational.

15.3.3 Radiation Instruments License

The Company has a license from the King Abdulaziz City for Science and Technology for use of certain radiation instruments. The license was issued on 12/8/1431H (corresponding to 24/7/2010G) and expires on 16/6/1433H (corresponding to 7/5/2012G).

15.3.4 PME License

The Company has an environmental approval license from the PME issued on 1/1/1428H (corresponding to 20/1/2007G). The license does not have an expiry date however, there is a condition stated in the license that the license shall be cancelled if the production, size or nature of the Company's changes.

15.3.5 Quarry License

The MPMR issued a Quarry Licence to Thamarat Najran LLC, a company controlled by Mohammed Manaa Sultan Aballala, Chairman of the Company and one of the founding shareholders of the Company on 11/6/1426H (corresponding to 17/7/2005G). The Quarry Licence confers upon Thamarat Najran LLC the right to exploit the limestone, mud and sand available within the 29.9 km^2 license area which is located in close proximity to the Main Plant. The term of licence is 30 Hijiri years from the date of its issue. The total annual production capacity under industrial license No. 5482/ S dated 25/07/1432H (corresponding to 27/06/2011G), for a period of three years is: 5.5 million tons of cement, 5.2 million tons of OPC, and 300,000 tons of (SRC) (this figure includes the total production capacity of the Company after the completion of Line III with a design production capacity of 1.9 million tons of clinker per year and an expected production capacity of 2.1 million tons of clinker per year).

As a condition of the Quarry Licence, Thamarat Najran LLC was obliged to procure the establishment of the Company for the purpose of undertaking the Offering and to transfer the licence to the Company. It is the Company's expectation that the MPMR will transfer the License to the Company after the Offering is completed and the Shares have been listed.[23] The Company is presently engaged in communications with the MPMR to ensure the timely transfer of the Quarry Licence. In the meantime, Thamarat Najran LLC continues to hold the licence for the benefit of the Company with the Company funding the payment of all necessary fees under the terms of the licence through Thamarat Najran LLC as licence holder.

23 BM: the transfer will occur after the completion of the Offering.

Other material terms of the licence include the following:

- payment of an annual surface rental of SAR 10,000 per square km to the MPMR.
- payment of an exploitation fee of SAR 2.25 per ton of limestone, SAR 1.50 per ton of clay and SAR 0.13 per cubic meter of sandstone. The Government has priority to purchase such quantity of cement production as it requires, at prevailing prices, subject to pre-existing contractual commitments to sell its production.

The MPMR may terminate the Quarry Licence if:

- amounts due to the State under the licence are not paid within one hundred fifty (150) days of being due;
- false information is provided to the MPMR; or
- obligations prescribed under the licence or Mining Investment Law or the requirements of the MPMR regarding health and safety or environment protection regulations are not complied with within sixty (60) days or receipt of the relevant notice.

15.3.6 Electricity and Co-Generation Regulatory Authority

The Company has an electricity generating licensing exemption from the Electricity and Co-Generation Regulatory Authority dated 18/11/1429H (corresponding to 16/11/2008G). The conditions of the exemption make it clear that the Company is not permitted to sell or dispose of the electricity it generates to any third parties.

15.3.7 Intellectual Property

The Company is registered owner of the NCC logo (as seen on the cover page of this Prospectus) under license no. 64/1149 pursuant to which the logo is protected for a period of ten (10) years expiring on 28/10/1440H (corresponding to 1/7/2019G). The Company does not own any other intangible assets such as trademarks, patents, copyright or other intellectual property that is material in relation to the Company or its business or profitability.

Commercial Name	Trademark
Najran Cement Company	

15.3.8 Line III Permits

The production expansion with respect to Line III requires a number of licenses issued by different governmental authorities. The following table shows the required permits and their current status:

No.	Permit	Issuing Authority	Notes
1	Industrial License for the production capacity	Ministry of Commerce and Industry	Obtained on 25/7/1432H and will expire on 25/7/1435H.
2	Electricity Generation License	Electricity and Cogeneration Regulatory Authority	Company will submit its application for amendment of existing license once the technical components and engineering drawings of Line III are finalized.
3	Environmental Operating Permit (EOP)	Presidency of Meteorology and Environment (PME)	Company will submit its application for amendment of existing license once the technical components and engineering drawings of Line III are finalized.
4	Safety and Security clearance	Directorate of Civil Defence	Company will submit its application once the technical components and engineering drawings of Line III are finalized.
5	Customs Clearance	Saudi Port Authority	Nesma to obtain in due course, as part of their obligations as contractor.
6	Water Drilling License	Ministry of Water & Electricity	License will be obtained at the beginning of Line III trial production.

15.4 Summary of Material Financing Agreements

NCC has entered into certain Islamic financing agreements with BSF and NCB as well as a Loan Agreement with SIDF.

15.4.1 BSF Financing Facilities

15.4.1.1 Master Facilities/Financing Letter of Agreement

NCC has entered into a master facilities/financing letter of agreement with BSF, dated 14/5/1432H (corresponding to 18/4/2011G), pursuant to which BSF defines and explains the types of banking facilities and financing arrangements that can be made available by BSF to NCC (the "**Master Agreement**"). The Master Agreement also outlines the terms and conditions of certain of those facilities and financing arrangements. The Master Agreement is governed by Saudi law.

15.4.1.2 Facilities/Financing Letter of Agreement

NCC has entered into a facility with BSF dated 14/5/1432H (corresponding to 18/04/2011G) pursuant to which BSF has agreed to confirm or renew NCC's existing facilities with BSF based on the terms and conditions of the Master Agreement. The first facility is the multi-purpose facility and the second is the facility in respect of the purchasing and selling of commodities ("**Tawarroq Facility**").

This is a multi-purpose facility has a limit of SAR 40,000,000 and sub-limit of SAR 2,000,000 for payment guarantees and a sub-limit of SAR 5,000,000 for multi bonding. The facility has expired on 31 March 2012 and the Company has confirmed that it is in the process of renewing such facility. The amount of the Tawarroq Facility has been revised from SAR 355,000,000 to SAR 254,920,000 and the profit margin is RIBOR plus 2.25% per annum. The Tawarroq Facility shall be paid in thirteen quarterly instalments with the final instalment being due on 30 June 2014.

In consideration for BSF making the facilities available, NCC has provided the following security:

- an order note in the amount of SAR 40,000,000 dated 14/5/1432H (corresponding to 18/04/2011G) payable on demand to cover the multi-purpose facility;
- an order note in the amount of SAR 254,920,000 dated 14/5/1432H (corresponding to 18/04/2011G) payable on demand to cover the Tawarroq Facility, to be replaced every two years at the outstanding level of the Tawarroq Facility;
- an acknowledged assignment of loan proceeds though SIDF; and
- an acknowledged assignment of insurance policies in favour of BSF as a secondary beneficiary following SIDF.

A management fee of SAR 200,000 representing 0.5% of the multi-purpose facility is payable in consideration for the facilities.

NCC also pledges, amongst other things, to:

(a) route 90% of the sale proceeds of any fixed assets with a value of over SAR 5,000,000 to reduce the end instalments outstanding on the Tawarroq Facility;

(b) use any disbursement from the SIDF loan to settle end instalments outstanding on the Tawarroq Facility; and

(c) route a minimum of 65% of its collections through its account held with BSF.

Failure by NCC to comply with any of the covenants will constitute a default pursuant to which BSF will have the right to initiate appropriate actions to protect its interests.

The Company has confirmed (and the audited financial statements for 2011 show) that all outstanding amounts under the Tawarroq facility (i.e. SAR 254,920,000) have been paid by NCC. Therefore, the Tawarroq facility part of the financing is no longer applicable as well as any corresponding pledges made by NCC.

15.4.2 BSF Financing Facilities for Line III

15.4.2.1 Second Facilities/Financing Letter of Agreement

Pursuant to the Master Agreement, NCC has entered into a letter of agreement with BSF dated 10/11/1432H (corresponding to 08/10/2011G) ("**Second BSF Facilities Letter**") pursuant to which BSF has agreed to provide additional multi-purpose facilities on the terms and conditions of the Master Agreement. The overall limit for the facilities thereunder is SAR 500,000,000. These facilities are:

(i) Commodity sale and purchase facility (Tawarroq) with a sub-limit of SAR 500,000,000 (the "**BSF Tawarroq Facility**");

(ii) Import L/C and shipping guarantees with a sub-limit of SAR 100,000,000 ("**BSF Import Facility**"); and

(iii) Payment guarantees with a sub-limit of SAR 10,000,000 ("**BSF Guarantee Facility**").

The BSF Tawarroq Facility is available from 31 December 2011 and will be repaid over 20 equal quarterly instalments starting on 30 September 2013 with last instalment due on 30 June 2018. The profit margin on this facility is RIBOR plus 2.25% per annum. The specific terms and conditions governing this facility have been set out in a separate Commodity Purchase and Sale Agreement dated 10/11/1432H (corresponding to 08/10/2011G) (described below).

The BSF Import Facility is available until 30 June 2013 and has a tenor of 240 days, with zero cash margin requirements.

The BSF Guarantee Facility is also available until 30 June 2013, with zero cash margin requirements.

In consideration for BSF making these additional facilities available, NCC has provided the following security:

- an order note in the amount of SAR 500,000,000 payable on demand to cover the facilities;
- an undertaking (i) to assign any new SIDF loan proceeds, and the insurance covering Line III, to BSF and (ii) to file the initial public offer (IPO) application with Capital Market Authority:
- Letter from Saudi Aramco confirming the fuel allotment for Line III.

NCC also agrees to abide by the following covenants:

(1) If the IPO does not occur by 30/04/2012, no dividends shall be distributed after such date until either the IPO takes place or Line III becomes operational, whichever comes first.

(2) BSF shall be under no obligation to provide additional facilities/financing if the IPO does not materialise.

(3) Any cost overruns in the expansion will be covered by NCC and/or its shareholders.

(4) BSF shall have the right to accelerate the loan repayment if the cash flows of NCC can support such accelerated repayment.

(5) Funded debt (i.e. BSF debt, SIDF loan & other banks' funded debt) to total equity ratio not to exceed 0.75:1.

(6) NCC shall submit to BSF its quarterly financial statements within forty five (45) days of the closing of the respective quarter.

A management fee of SAR 2,500,000 representing 0.5% of the multi-purpose facility is payable in consideration for the facilities.

Failure by NCC to comply with any of the covenants will constitute a default pursuant to which BSF will have the right to initiate appropriate actions to protect its interests.

15.4.2.2 Commodity Purchase and Sale Agreement

Pursuant to the Master Agreement and the Second BSF Facilities Letter, NCC has entered into a Commodity Purchase and Sale Agreement dated 10/11/1432H (corresponding to 08/10/2011G) pursuant to which BSF makes available the Second BSF Tawarroq Facility to NCC on the terms and conditions set out in the Master Agreement and the Second BSF Facilities Letter.

As of 17 January 2012, NCC has made two drawdowns (by purchasing and selling Palladium) as a result of which a total amount of SAR 206,627,775 is now outstanding to BSF under this facility.

This Commodity Purchase and Sale Agreement is governed by Saudi law.

15.4.3 SIDF Loan

NCC has entered into a loan agreement with SIDF on 25/12/1429H, (corresponding to 23/12/2008G) as amended on 2/7/1431H (corresponding to 14/6/2010G), pursuant to which SIDF has agreed to finance NCC for an amount not exceeding SAR 454,550,000 (the "**SIDF Facility**"). No interest or profit margin is payable under the loan. In consideration for SIDF agreeing to make the facility available, SIDF has requested NCC to enter into a mortgage deed on all fixed assets, buildings and machineries that are or will be set up on the concession area and also the fixed assets that will be built on six plots of land in Najran under title deeds No. 310, 311, 312, 313, and 314 dated 21/8/1420H (corresponding to 29/11/1999G) and title deed No. 307 dated 2/8/1420H (corresponding to 10/11/1999G). In addition to this, personal guarantees are to be provided by Majid Bin Ibrahim Bin Abdulaziz Al Ibrahim (66%), Abdullah Bin Abdulaziz Bin Saleh Al Rajhi (33%) and Prince Nawaf Bin Mishal Bin Saud Al Saud (6.17%). Furthermore, the maximum amount of dividend payments that the Company may make to shareholders is 25% of the paid up capital of the Company or the total amount paid to SIDF (whichever is lesser). The Company has received a waiver from SIDF in connection with payment of dividends for the third quarter of 2011.

However, disbursements beyond SAR 200,000,000 are conditional upon NCC providing evidence that it has received preliminary approval from CMA for the Offering. Prior to the disbursement of the last 50% of the loan NCC is obligated to (i) hire a qualified management team acceptable to SIDF; and (ii) submit the required license from the Electricity and Co-generation Regulatory Authority. Prior to disbursement of the last 20%, NCC must (i) provide SIDF with evidence that the plant's emissions will comply with the Presidency of Meteorology and Environment requirements; (ii) implement industrial safety requirements to the satisfaction of SIDF; (iii) satisfy SIDF with the results of the final geo-economic feasibility study and mining plan of the quarry; and (iv) satisfy SIDF with supply arrangements and iron ore agreements. The Company has (as of 15 January 2012) drawn down the remaining SAR 254,5550,000 (out of which an evaluation fee for the project of SAR 4,080,000 was deducted). Furthermore, the Company paid an instalment of SAR 25,000,000 to SIDF and the remaining outstanding amount owed to SIDF (as of 15 January 2012) is SAR 415,000,000.

15.4.4 NCB Facilities/ Financing Agreement

NCC has entered into an Islamic financing and banking services agreement with NCB dated 7/5/1432H (corresponding to 11/4/2011G) pursuant to which NCB has agreed to offer an amount not exceeding SAR 70,000,000 in credit facilities to the Company. The agreement also outlines the terms and conditions of the available facilities, and shall expire on 31/5/2012. According to the agreement, NCC shall provide an assignment to NCB of 40% of the Company's future sales, and NCC also undertakes to provide NCB with any further securities the bank may request from time to time. The Company has to pay back any amounts it draws down under the facilities by 31 May 2012. The re-payment by the Company shall be in the form of one full payment in the amount drawn down by the Company.

15.5 Summary of Material Contracts

Capitalized terms appearing in the summaries below which are not otherwise defined in this Prospectus shall have the meaning given to them in the relevant agreement.

15.5.1 Operation and Maintenance Contract with HCRDI for the Grinding Unit

On 4 May 2011, NCC entered into an operation and maintenance agreement with HCRDI to operate and maintain the Grinding Unit.

Scope of Services: HCRDI will be responsible for the operation and maintenance of the Grinding Unit and shall provide certain "on the job" training services for Company personnel.

Term: The term of the agreement is one year from the date of the agreement. The term can be extended on mutually agreed terms at least two months before the expiry of the original agreement period.

Price: HCRDI is paid a monthly base-rate fee. In order to induce HCRDI to achieve the targeted production, an annual reward is paid if annual production is exceeded. Deductions may also be made if production falls below a specified level.

Liability: HCRDI's liability under the agreement is capped as is customary for a contract of this nature.

Termination: NCC may terminate the agreement by giving sixty (60) days' notice and also if HCRDI fails to fulfil any obligations under the agreement (and does not remedy such defect thirty (30) days after receiving written notice). Both NCC and HCRDI may terminate in the case of an event of *force majeure*.

Governing Law: The agreement is governed by Laws of the Kingdom of Saudi Arabia.

15.5.2 Power Plant Operation and Maintenance Agreement

On 5 July 2007 NCC entered into a power plant operation and maintenance agreement with Wärtsilä Power Contracting Company Ltd ("**Wärtsilä**") for the mobilization, operation and maintenance of two power plant facilities located at the sites of the Main Plant and the Grinding Unit, respectively (together, the "**Power Plant Facilities**").

Scope of Services: Wärtsilä is responsible for the mobilization, operation and maintenance of the Power Plant Facilities. Specific works include providing spare parts, chemicals, lubrication oil, and other materials necessary to operate and maintain the Power Plant Facilities.

Term: The term of the agreement is five (5) years starting on 10 July 2007, being the date on which commercial operations of the first phase of power plant facilities at the Main Plant commenced.

Price: Under the agreement Wärtsilä is paid a separate, monthly fixed rate operating fee for the operation of each of the Power Plant Facilities. Wärtsilä also receives a monthly variable fee calculated on the basis of the combined MWhr produced by the Power Plant Facilities.

The agreement also provides for an annual fee escalation on an agreed-upon formula.

Performance Guarantees and Liability: Wärtsilä guarantees that each of the Power Plant Facilities will be available for an average of 92% of the time each year, subject to certain exclusions. Wärtsilä's liability under the agreement is capped as is customary for a contract of this nature, except in respect of liability arising out of its gross negligence or wilful misconduct.

Termination: Either party may terminate the agreement in case of (i) bankruptcy, insolvency or dissolution of the other party; (ii) gross negligence by one of the parties causing material damage or harm to the other party; (iii) a material failure by one of the parties to perform any of its obligations, (unless a plan to cure the breach has been implemented within thirty (30) days); (iv) the making of certain prohibited payments by the other party; or (v) the occurrence of an event of *force majeure* which continues for more than one hundred eighty (180) days.

In addition to the above, Wärtsilä may also terminate the agreement in the event that NCC fails to maintain security for payment or a default by NCC in its payment obligations to Wärtsilä, unless NCC has cured such breach within ninety (90) days.

If the agreement is terminated for any reason, Wärtsilä is entitled to receive any operating fees owing at the date of termination as well as a fixed amount to cover its demobilization costs.

Governing Law: The agreement is governed by Laws of the Kingdom of Saudi Arabia.

15.5.3 Secondment of Technical Personnel Agreement with Holtec Global Solutions FZE

On 30 October 2011, Najran Cement Company entered into another Secondment of Technical Personnel agreement with Holtec Global.

Scope of Services: As per the agreement, Holtec Global Company agrees to provide trained technical personnel to run the operations of the Company's technical facilities in Sultana and Akfah.

Term: The agreement shall be effective as of 1 January 2012 for a period of one year, and can be extended on mutually agreed terms three months prior to expiration.

Price: Najran Cement Company is required to directly pay technicians' salaries, deducting such amount from the monthly fees paid to Holtec Global Company for the services provided. The total amount to be paid monthly to Holtec Global is SAR 525,000. Should additional staff be required, Holtec Global Company shall provide additional personnel according to terms to be agreed upon.

Termination: Najran Cement Company may terminate the agreement by giving 90 days' notice.

15.5.4 EPC Agreement between NCC and Nesma & Partners Contracting Co. Ltd. for the Construction of Line III

On 17 November 2011 NCC entered into an EPC agreement with Nesma & Partners Contracting Co. Ltd. for the expansion of the cement production facilities at the Main Plant through the construction of Line III.

Scope of Services: Nesma & Partners Contracting Co. Ltd. is responsible for establishing a cement plant with a guaranteed capacity of 6,500 TPD of OPC/SPRC clinker including a 35MW power plant, a colony and all associated utilities, equipments and auxiliaries (hereinafter called "**the Works**") located at Najran on a turnkey basis. Nesma & Partners Contracting Co. Ltd. shall perform the engineering, design, procurement, manufacturing, supply, delivery to plant site, insurance and unloading as well as storing and safe keeping at plant site, civil construction, electro-mechanical erection, training of the Owner's personnel, testing, commissioning, performance tests, handing over and guarantee of such Works, repair or replacement of any defects as defined in the agreement.

Price: The Price is a lump sum of SAR 1,056,375,000 (inclusive of all taxes). The price is subject to adjustment on the following grounds:

(a) if the plant achieves a performance of 7,000 TPD within the contract period of 700 days, Nesma will be entitled to a bonus of SAR 11,250,000;

(b) if Nesma achieves completion within 21 months 639 days it will be entitled to a bonus of SAR 5,625,000; and

(c) variations instructed and approved by the Company in accordance with the procedure set out in the agreement.

Payment Terms: The payment terms under the agreement are as follows:

(a) Advance Payment – Nesma & Partners Contracting Co. Ltd. will be paid on advance payment of SAR 158,456,250 within seven (7) days of NCC's receipt of Nesma's invoice and an irrevocable unconditional bank guarantee for the same amount in favour of the Company as security for the advance payment.

(b) Payments for Major Equipment – Ten percent (10%) of the value of major equipment (as listed in the annex to the agreement) to be paid within ninety (90) days from the date the site is handed over to Nesma, subject to Nesma providing a bank guarantee as security for such payments.

(c) Payment for Construction at Site – A mobilisation payment of SAR 31,477,500 will be paid upon substantial completion of mobilisation to the site, to the satisfaction of the Company.

(d) Monthly progress claims will be submitted by Nesma & Partners Contracting Co. Ltd. for payment of ninety percent (90%) of the total price of the agreement. Approved payments will be made within thirty (30) days.

(e) The remaining ten percent (10%) of the total price will be paid when Nesma has achieved Provisional Acceptance and confirms there are no outstanding claims associated with the project, has submitted a tax clearance certificate for Zakat and submits a GOSI certificate confirming compliance with the Social Insurance Law.

Performance Guarantees and Liability: Nesma & Partners Contracting Co. Ltd. guarantees the following:

(a) the project will be free of defects for twelve (12) months after the Works have passed all the performance tests ("**Provisional Acceptance**") and will, at its cost, rectify all defects within such period. Any parts replaced or repaired within that period will have a new guarantee period of twelve (12) months;

(b) all equipment supplied from non-West European countries or America shall have a warranty period of five (5) years from the Provisional Acceptance; and

(c) there shall be no settlement, failure or collapse of the structures for ten (10) years from the time after the Works have passed all the performance tests.

Nesma & Partners Contracting Co. Ltd. will not be liable for indirect or consequential damages such as loss of production or loss of profit arising out of negligence and its overall liability for liquidated damages and penalties under the agreement shall not exceed 10% of the agreement price.

Termination: The Company may terminate the Contract:

(a) at its convenience, within ninety (90) days from the date the site (for the construction of Line III) is handed over to Nesma;

(b) if Nesma neglects to perform with due diligence, or neglects to comply with any reasonable order, or contravenes substantial provisions of the agreement, and fails to make good any such matters within thirty (30) days of being requested by the Company to take corrective measures.

Governing Law and Disputes: The agreement is governed by Laws of the Kingdom of Saudi Arabia. Any dispute not resolved by agreement between the parties shall be resolved by arbitration in accordance with the arbitration laws of Saudi Arabia. The place of arbitration shall be Riyadh, Saudi Arabia.

In February 2012, the Company has requested an amendment to the contract[24] in the form of a variation order which alters the scope of Line III contract to include the engineering, procurement and construction of only two diesel generators with a production capacity of 14MW. The Company will thus cover its anticipated electricity needs by establishing a HRW Plant, as further discussed below.

As a result of the amendment of Nesma Contract regarding Line III, Line III EPC costs will be reduced by SAR 109,800,000, which will bring contract value down to SAR 946,570,000.

15.5.5 EPC Agreement between NCC and Sinoma Energy Conservation Ltd for the Construction of a Waste Heat Recovery Power Plant

On 1 March 2012, NCC entered into an EPC agreement with Sinoma Energy Conservation Ltd (the "**WHR Contractor**") for the construction of a power plant utilising exhaust heat from NCC's cement plant at Najran.

Scope of Work: The WHR Contractor is responsible for establishing a 25.5 MW waste heat recovery power plant (the "**Plant**") by utilizing exhaust heat from the Company's cement plant (specifically Kiln & Cooler for Line I, Line II and Line III and 10 diesel generator sets) at Sultana, Najran, in Kingdom of Saudi Arabia, including all associated equipment and auxiliaries on a turnkey basis. The WHR Contractor is to perform the engineering, design, procurement, manufacturing, supply, delivery, to plant site, insurance and unloading as well as storing and safe keeping at plant site, civil construction, erection/installation, training of the Company's personnel, testing, commissioning, reliability test, performance tests, handing over and guarantee of such Works, repair or replacement of any defects as defined in the Contract (the "**Works**").

Price: The Total Contract Price is a lump sum of SAR 168,353,880. The Total Contract Price is subject to adjustment for variations instructed and approved by the Company in accordance with the procedure set out in the Contract.

The Total Contract Price is made up of following components:

1. **Equipment and materials** – SAR 130,844,697
2. **Civil and structural works** – SAR 15,001,937
3. **Electro-mechanical, erection and commissioning** – SAR 22,503,428

Payment Terms: The Payment Terms under the Contract are as follows:

1. <u>Down Payment</u> - The WHR Contractor will be paid 20% of the Total Contract Price as a down payment within two weeks of Company's receipt of WHR Contractor's invoice and an irrevocable unconditional bank guarantee (in the form annexed to the Contract) for the same amount in favour of the Company.

2. <u>Equipment and Materials</u> – The Company will pay for equipment and materials by letters of credit (LOI) as follows:

- LOI for fifty percent (50%) of value of equipment and materials to be issued within 120 days of Effective Date (being the same date as the Commencement Date); and
- LOI for twenty percent (20%) of the value of equipment and materials to be issued within 270 days from Effective Date. LOI's to be payable on presentation of specified documents.

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24 The Company expects to amend the Contract in March 2012G.

3. Civil and Structural Works – Five percent (5%) of price for civil and structural works to be paid on start of works on site and sixty five percent (65%) paid against monthly invoices.

4. Electro-Mechanical, Erection and Commissioning – Five percent (5%) of price for this work paid on start of erection works on site and sixty five percent (65%) paid against monthly invoices.

5. Final Payments – Five percent (5%) of Total Contract Price paid on Provisional Acceptance and five percent (5%) of Total Contract Price paid fourteen (14) days after Final Provisional Acceptance (being when the performance tests have been successfully completed) or when the Company agrees to deduct liquidated damages for reduced performance, whichever is the earlier.

Security: WHR Contractor to provide unconditional bank guarantee for ten percent (10%) of the Total Contract Price as security for performance. The guarantee is to remain in force until Final Acceptance (18 months after Provisional Acceptance).

Liquidated Damages for Delay and Reduced Performance: The WHR Contractor will be liable to the Company for specified damages, delay in completion and Plant failure to achieve specified performance criteria (subject to minimum levels being achieved). All liquidated damages under the Contract are capped at ten percent (10%) of the Total Contract Price.

Performance Guarantees and Liability: The WHR Contractor guarantees the Plant will be free of defects for eighteen (18) months following Provisional Acceptance and will, at its cost, rectify all defects with such period. Any parts replaced or repaired within that period will have a new warranty period of twelve (12) months from replacement but not exceeding twenty four (24) months from Provisional Acceptance.

The WHR Contractor will not be liable for indirect or consequential damages such as loss of production or loss of profit and its overall liability for liquidated damages and penalties under the Contract shall not exceed 10% of the Total Contract Price.

Termination and Suspension: The Company may terminate the Contract:

(a) at its convenience, within nineteen (90) days from the Effective Date;

(b) if the WHR Contractor neglects to perform with due diligence, or neglects to comply with any reasonable order, or contravenes substantial provisions of the Contract, and fails to make good any such matters within thirteen (30) days of being requested by Company to take corrective measures.

On giving twenty one (21) days notice, the WHR Contractor may suspend the Works if payment due is withheld for longer than nineteen (90) days.

Governing Law and Disputes: The Contract is governed by the laws of the Kingdom of Saudi Arabia. Any dispute not resolved by agreement between the parties shall be resolved by arbitration in accordance with the arbitration laws of Saudi Arabia. The place of arbitration shall be in Riyadh, Saudi Arabia.

15.6 Saudi Aramco Fuel Supply Contract

On 8/1/1428H (corresponding to 27/01/2007G), the Company entered into a contract with Saudi Aramco ("**Aramco**") for the supply of fuel for Line I.

Scope of Services: Pursuant to the contract, Aramco will sell and NCC will buy 20,000,000 litres of heavy oil monthly. This quantity will suffice to operate Line I at design production capacity

Term: The term of the contract is one year, automatically renewable for a similar period unless one party notifies the other of the willingness to terminate the contract within thirty (30) days prior to the expiry of the contract.

Termination: Either party may terminate the contract if the other party breaches any of the material obligations under the contract.

Governing Law: The contract is governed by the Laws of the Kingdom of Saudi Arabia.

15.7 Litigation and Contingent Liabilities

The Directors and Management confirm that the Company is not involved, as of the date of this Prospectus, in any litigation, arbitration or administrative proceeding that would, individually or in the aggregate, have a material adverse effect on its financial condition and result of operations. Save as set out in the MD&A, the Company has no other contingent liabilities and guarantees.

15.8 Insurance

The Company has entered into various insurance policies with Wataniya Insurance Company affecting a range of insurance coverage which the Company believes is appropriate to cover the material risks associated with the Company's business. The Company carries the following insurance for the amounts stated below:

Property All Risks	SAR 1,617,080,775
Loss of Profit	SAR 150,000,000
Plant & Machinery	SAR 80,528,620
Machinery Breakdown	SAR 334,863,303
Machinery Loss of Profits	SAR 150,000,000
Commercial Motors	SAR 10,613,238
Private Motors	SAR 3,967,050
Third-Party Liability	SAR 5,000,000
Cash in Safe	SAR 300,000
Fire Policy	SAR 5,000,000 (For empty cement bags)
Fidelity	SAR 300,000 each of the 13 staff (the cashiers and salesmen who have access to money belonging to the Company)

15.9 Related Party Transactions

Other than its current arrangement with Thamarat Najran LLC in respect of the use of the Quarry Licence as further described in Section 15.3.1 of this Prospectus, the Company is not a party to any transactions with related parties.

15.10 Properties

The Main Plant (comprising Lines I and II) is located on land that is leased by the Company from the MPMR, and is not subject to any lien, pledge, mortgage or other encumbrance. The Grinding Unit is located on a land leased from the Region of Najran for a period of twenty-five (25) years commencing 21/11/1428H (corresponding to 1/12/2007G). The quarry adjacent to the Main Plant is worked by the Company pursuant to the Raw Materials Quarry License issued by the MPMR.

15.11 Commissions

The Board of Directors and the Management confirm that no commissions, discounts, brokerages or other non-cash compensation have been granted within the two years immediately preceding the application for listing in connection with the issue or sale of any securities by the Company to any Director or any Senior Officer, or any Advisor or any expert.

15.12 Commitments

The Company's Board members confirm their compliance with Articles 69 and 70 of the Companies Regulations which stipulate that a director may not have any interest, whether directly or indirectly, in the transactions or contracts made for the account of the Company, nor participate in any business competitive with that of the Company, except with an authorization from the General Assembly. The Company's Board members also confirm their compliance with Article 18 of the Corporate Governance Regulations.

15.13 Restrictions on Board of Directors

Pursuant to the Companies Regulations, the Directors are subject to the following restrictions:

- a Director may not vote on any contract on which he has vested interest;
- a Director may not vote on the recommendations for bonuses granted to them during the General Assemblies; and
- a Director may not obtain loans from the Company.

15.14 Mortgages, Rights and Charges on Company's Properties

Other than in Section 15.4.3 above, the Board of Directors declare that the Company has no mortgages, rights or charges on its properties as of the date of the Prospectus.

16. Underwriting

16.1 Underwriter

The Underwriter has agreed to underwrite the Offering in the following proportions:

Table 16.1: Underwriting Commitments

	Number of Offer Shares	Percentage of Offer Shares
Saudi Fransi Capital Limited	85,000,000	100%
Total	**85,000,000**	**100%**

Source: Najran Cement Company

16.2 Summary of the Underwriting Agreement

Pursuant to the terms, and subject to the conditions of, the Underwriting Agreement:

(a) the Company undertakes to the Underwriter that on the Allocation Date (as defined in the Underwriting Agreement) it will issue and allot the Offer Shares to successful Applicants through any of the Selling Agents and/or issue and allot to the Underwriters any Offer Shares that are not purchased pursuant to the Offering; and

(b) the Underwriter undertakes to the Company that it will purchase the Offer Shares that are not subscribed for by successful Applicant, if any, at the Offer Price.

The obligation of each Underwriter to purchase any Offer Shares is subject to certain customary termination provisions, including *force majeure* events, and the fulfilment of certain conditions precedent in connection with the Offering. Whilst the total number of Offer Shares being offered to the Individual Subscribers is underwritten by the Underwriters, their obligation to purchase any such number of Offer Shares may lapse upon a failure by one or more of the Underwriters to find purchasers for, or purchase themselves, that number of the Offer Shares set opposite its name above without liability to the non-defaulting Underwriters. The Company has also given certain customary representations, undertakings and warranties, and has provided a customary indemnity, to the Underwriters in the Underwriting Agreement.

16.2.1 Commission and Expenses

The Selling Shareholders will pay to the underwriters an underwriting fee based on the total value of the Offering.

17. Subscription Terms and Instructions

All Subscribers must carefully read the subscription terms and conditions prior to completing the Subscription Application Form, since the execution and delivery of the Subscription Application Form to a Selling Agent constitutes acceptance and agreement to the Subscription terms and instructions.

17.1 Subscription to the Offer Shares

The Offering will consist of 85,000,000 ordinary Shares with a nominal value of SAR 10 per Share representing 50% of the share capital of the Company at an offer price of SAR 10 per share. The Offering is directed at and may be accepted by individual investors and Saudi individuals only. A divorced or widowed Saudi female with children from a non-Saudi husband can also subscribe on behalf of her children to the benefit of her account, if she can prove that she is divorced or widowed and that she is the mother of her minor children. A signed Subscription Application Form submitted to any Selling Agents represents a legally binding agreement between the Selling Shareholders and the Subscriber in accordance with the terms set out herein and in the Subscription Application Form.

Potential Saudi subscribers may obtain main and mini Prospectuses in addition to the Subscription Application Forms from any of the following banks:

Selling Agents						
SABB ساب	بنك الرياض riyad bank	samba سامبا	NCB الأهلي	العربي anb	Al Rajhi Bank مصرف الراجحي	البنك السعودي الفرنسي Banque Saudi Fransi

The Selling Agents will commence receiving Subscription Applications Forms at their branches throughout Saudi Arabia from 24/5/1433H (corresponding to 16/4/2012G). Once the Subscription Application Form is signed and submitted, the Selling Agents will stamp it and provide to the Subscribers a copy of the completed Subscription Application Form. In the event the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Selling Agents, the Subscription Application Form will be considered void.

The minimum subscription is 50 Offer Shares. Each Subscriber may subscribe for this number of Shares or multiples thereof. Subscriptions for less than 50 Offer Shares, or fractional numbers will not be accepted. The maximum number of Shares that may be applied for is 200,000 shares for each subscriber.

The Subscriber is required to specify the number of Offer Shares applied for in the Subscription Application Form at the Offer Price. The total subscription amount shall be the number of Offer Shares applied for multiplied by the Offer Price.

The Subscription Application Form must be submitted during the Offering Period accompanied by the following documents, as applicable:

- Original and a copy of the individual Subscriber's national identification card;
- Original and copy of the family identification card (where a Subscription is made on behalf of family members);
- Original and copy of a power of attorney (where a Subscription is made on behalf of family members); and
- Original and copy of certificate of guardianship (where a Subscription is made on behalf of orphans).

In addition to the above, if the Subscriber is applying for Offer Shares on behalf of a child who is a minor for the benefit of the Subscriber, the Subscription Application Form must also be accompanied by:

- in the case of an application on behalf of a child of a Saudi woman:
  - who is divorced from a non-Saudi husband, the original and a copy of the divorce deed plus a copy of the child's birth certificate; or
  - who has been widowed by a non-Saudi husband, the original and a copy of her late husband's death certificate plus a copy of the child's birth certificate;
- in the case of an application by a guardian of the child, the original and a copy of the power of attorney, guardianship deed or the deed evidencing the legal financial responsibility of the Subscriber; and
- in the case of an application on behalf of an orphan, the original and a copy of the custody deed.

A proxy is limited to family members (parents and children only). If a Subscription Application Form is submitted on behalf of a Subscriber (parents and children only), the name of the person signing on behalf of the Subscriber should be stated in the Subscription Application Form accompanied by the original and a copy of a valid power of attorney supporting such person's authority to act on behalf of the Subscriber. For Subscribers who are within Saudi Arabia, the power of attorney must be issued before a Notary, and for Subscribers who are outside Saudi Arabia, the power of attorney must be legalised through the Saudi Embassy or Consulate in the relevant country. The Selling Agents will verify all copies against the originals and will return the originals to the Subscriber or any person signing under a power of attorney.

One Subscription Application Form should be completed for each household (i.e. family members appearing on the family identification card) if dependent Subscribers apply for the same number of Offer Shares as the prime Subscriber. In this case, the prime Subscriber is the person:

- in whose account the allocated Offer Shares will be registered in Tadawul;
- to whom any refund will be returned in respect of amounts paid for Offer Shares by the prime Subscriber and dependent Subscribers and not allocated; and
- who will receive all dividends distributed in respect of the Offer Shares allocated to the prime Subscriber and dependent Subscribers.

The total value of the Offer Shares subscribed for must be paid in full to a branch of the Selling Agent by authorising a debit of his/her account held with the Selling Agent pursuant to SAMA instructions.

Separate Subscription Application Forms must be used if:

- the Shares to be allocated are to be registered in a name other than the name of the prime Subscriber;
- dependent Subscribers are to apply for a different quantity of Offer Shares than the prime Subscriber; or
- the Subscriber's wife wishes to apply for Offer Shares in her own name. If her Subscription Application Form is accepted, Offer Shares will be allocated to her and a Subscription Application Form submitted on her behalf by her husband will be rejected.

The Subscriber agrees to subscribe for and purchase that number of Offer Shares specified in the Subscription Application Form submitted by the Subscriber for an amount equal to the number of Shares applied for multiplied by the Offer Price. Each Subscriber shall have purchased the number of Offer Shares allotted to him upon:

- delivery by the Subscriber of the Subscription Application Form to any Selling Agent;
- payment in full by the Subscriber to the Selling Agent of the total value of Offer Shares subscribed for; and
- delivery to the Subscriber by the Selling Agent of the allotment letter specifying the number of Offer Shares allotted to him.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offering, the Company shall have the right to reject, in full or in part, such application. The Subscriber shall accept any number of Shares allocated to him or her.

Subscription Application Forms can be submitted through the branches of each Selling Agent during the Offering Period or through the internet, phone banking or ATMs of the Selling Agents which offer one or more of these delivery channels to those Subscribers who subscribed to any of the recent public offerings in Saudi Arabia.

The Selling Agents shall open and operate an escrow account named as "Najran Cement Company IPO" in which each of the Selling Agents shall deposit all amounts received from Subscribers.

17.2 Allocation and Refunds

Within seven (7) days following the end of the Offering Period, the Offer Shares will be allocated to the Subscribers. Provided there are not more than 1,700,000 Individual Subscribers, the allocation of Offer Shares to Individual Subscribers will be conducted in three consecutive stages. In the first stage, each Individual Subscriber will be allocated 50 Offer Shares. In the second stage, each Individual Subscriber that subscribed for more than 50 Offer Shares will be allocated the number of Offer Shares applied for, up to a maximum of 200,000 Offer Shares, subject to there being a sufficient number of Offer Shares to satisfy such allocation. In the final stage, the remaining Offer Shares, if any, will be allocated on a pro-rata basis to the number of Offer Shares applied for by each Individual Subscriber. The Company does not guarantee the allocation of the minimum number of Offer Shares in the event that the number of Individual Subscribers exceeds 1,700,000 subscribers. In that case, the Offer Shares will be allocated equally between all Individual Subscribers. Excess subscription monies, if any, will be returned to Individual Subscribers without any charge or withholding by the relevant Selling Agent. Notification of the final allotment and refund of subscription monies, if any, will be made by 8/6/1433H (corresponding to 29/4/2012G). No fractional allocations will be made and any Offer Shares remaining in respect of the aggregation of fractional allocations shall be allocated by the Lead Manager among Individual Subscribers at its discretion.

The final number of Offer Shares allocated to each Individual Subscriber, together with any refund due to the Subscriber, is expected to be announced no later than 8/6/1433H (corresponding to 29/4/2012G). Excess subscription monies, if any, will be returned to Individual Subscribers without any charge or withholding by the relevant Selling Agent. The Company will make an announcement in the national newspapers in Saudi Arabia informing the Subscribers of the above and instructing the Selling Agents to begin the refund process (if applicable).

The Selling Agents will send confirmation/notification to their Subscribers informing them of the final number of Offer Shares allocated together with the amounts, if any, to be refunded. Subscribers should communicate with the branch of the Selling Agent where they submitted their Subscription Form for any further information.

17.3 Acknowledgements

By completing and delivering the Subscription Application Form, the Subscriber:

- agrees to subscribe for the number of Offer Shares specified in the Subscription Application Form;
- represents and warrants that he/she has read the Prospectus and understands all its contents;
- accepts the Bylaws and all subscription instructions and terms mentioned in the Prospectus;
- declares that neither himself/herself nor any of his/her family members included in the Subscription Application Form has previously subscribed to the Shares;
- accepts and acknowledges that the Company has the right to reject any or all applications;
- accepts the number of Shares allocated to him/her and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form;
- undertakes not to cancel or amend the Subscription Application Form after submitting it to a Selling Agent; and
- retains his/her right to bring a claim against the Company for damages caused by incorrect or incomplete information contained in the Prospectus or for the omission of material information in the Prospectus that could have affected the Subscriber's decision to purchase the Offer Shares.

17.4 Miscellaneous

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

These terms and conditions, and any receipt of the Subscription Application Forms or contracts resulting therefrom, shall be governed by, and interpreted in accordance with, the laws in force in Saudi Arabia.

This Prospectus has been issued in both Arabic and English. In the event of a discrepancy between the English and the Arabic text, the Arabic version of the Prospectus will prevail.

17.5 The Exchange

The Exchange (or Tadawul) was founded in 2001 as the successor to the Electronic Securities Information System. In 1990, full electronic trading in KSA equities was introduced. As at 2 April 2012, the market capitalisation was SAR 14 billion. The shares of 152 companies were listed and traded on the Exchange as of that date.

Trading on the Exchange occurs through a fully integrated trading system covering the entire process from trade order through to settlement trading on the Exchange. Trading occurs each Business Day between 11.00 a.m. to 3.30 p.m. After close of exchange trading, orders can be entered, amended or deleted from 10.00 a.m. to 11.00 a.m. New entries and inquiries can be made from 10.00 a.m. for the opening phase (starting at 11.00 a.m.).

Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders place at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry.

The Exchange distributes a comprehensive range of information through various channels, including in particular the Exchange website and Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information publishers such as Reuters.

Exchange transactions are settled on the same day, i.e. on a T+0 basis, meaning that ownership transfer takes place immediately after the trade is executed.

Issuers are required to report all material announcements via the Exchange for onward dissemination to the public.

Surveillance and monitoring is the responsibility of the Exchange as the operator of the market. The aim of supervision is to ensure fair trading and an orderly market.

17.6 Trading on the Exchange

It is expected that dealing in the Offer Shares will commence on the Exchange upon finalisation of the allocation process. The Exchange will announce the start date of trading once determined. Dates and times included in this Prospectus are indicative only and may be changed or extended subject to the approval of the CMA.

Offer Shares can only be traded after they have been allocated and credited to the accounts of each Subscriber at the Exchange, the Shares have been registered in the Official List and the Offer Shares admitted to trading on the Exchange. Pre-trading in Offer Shares is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in such an event.

18. Documents Available for Inspection

The following documents will be available for inspection at Najran Cement Company's head office, between the hours of 8:30 am to 5:00 pm one week prior to and during the Offer Period:

- The Company's commercial registration certificate;
- The Company's Bylaws;
- The CMA approval to the offering;
- Audited financial statements for the Company for the period ended 31 December 2008, 31 December 2009, 31 December 2010 and for 31 December 2011;
- BDO's written consent to the inclusion in the Prospectus of their Audit Report for the audited financial statements for the fiscal year ending 31 December 2011 herein;
- Written consent from Legal Advisors, in association with Baker & McKenzie, to the reference in the Prospectus to them as legal advisors to the Company;
- Written consent from Saudi Fransi Capital to the reference in the Prospectus to them as Financial Advisor and Lead Manager to the Company;
- Written consent from KPMG, in association with the reference in the Prospectus to them as Reporting Accountants to the Company;
- Written consent from Ernst & Young to the reference in the Prospectus to them as market consultants to the Company;
- Written consent from Holtec to the reference in the Prospectus to them and to the Holtec Feasibility Study of Line III;
- Feasibility study prepared by Holtec, dated July 2011;
- Market Study prepared by Ernst & Young, dated January 2012;
- Agreement with Thamarat Najran regarding the use of the Quarry License;
- All material contracts as specified in Section 15.5 of the Prospectus;
- Valuation Report prepared by the Financial Advisor; and
- Other permits and approvals.

19. Auditor's Report

19.1 Appendix 1- Audited Financial Statements

The audited financial statements as at and for each of the three years ended 31 December 2011, 2010 and 2009 and the notes thereto incorporated in the Prospectus have been included herein in reliance on the report of Deloitte & Touche Bakr Abulkhair & Co., independent auditors of the Company for the above stated period.

Deloitte & Touche Bakr Abulkhair & Co. and BDO do not themselves, nor do any of their relatives or affiliates, have any shareholding or interest of any kind in the Company. In addition, BDO and Deloitte & Touche Bakr Abulkhair & Co. have given and not withdrawn their written consent to the publication in the Prospectus of the Company's audited financial statements and the Management's Discussion and Analyses of Financial Condition and Results of Operations.

NAJRAN CEMENT COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2009

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the shareholders
Najran Cement Company
(a Saudi closed joint stock company)
Najran, Saudi Arabia

Scope of Audit

We have audited the accompanying balance sheet of Najran Cement Company (a Saudi closed joint stock company) (the Company) as of December 31, 2009, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and notes 1 to 22 which form an integral part of these financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 standards 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.

Unqualified Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the Company's bylaws as these relate to the preparation and presentation of these financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

Deloitte & Touche Bakr Abulkhair & Co.

Ehsan A. Makhdoum
License No. 358

Jumada Al Thani 3, 1431
May 17, 2010

Audit . Tax . Consulting . Financial Advisory.

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NAJRAN CEMENT COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

BALANCE SHEET

AS OF DECEMBER 31, 2009

	Note	2009 SR	2008 SR
ASSETS			
Current assets			
Cash and bank balances	3	**39,099,638**	1,707,694
Investments in securities held for trading	4	**-**	101,936,696
Accounts receivable		**25,355,302**	10,366,682
Inventories	5	**162,936,890**	85,311,264
Prepaid expenses and other assets	6	**13,781,409**	36,824,229
Total current assets		**241,173,239**	236,146,565
Non-current assets			
Property, plant and equipment	7	**1,556,007,980**	283,049,055
Construction in progress	8	**14,671,831**	1,305,299,810
Deferred charges	9	**13,269,688**	13,933,723
Total non-current assets		**1,583,949,499**	1,602,282,588
TOTAL ASSETS		**1,825,122,738**	1,838,429,153
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short term financing	10	**-**	478,071,716
Current portion of long term loan	13	**125,000,000**	-
Due to contractor		**79,944,100**	145,249,695
Accrued expenses and other liabilities	11	**37,651,352**	39,362,841
Provision for zakat	12	**5,195,631**	9,991,381
Total current liabilities		**247,791,083**	672,675,633
Non-current liabilities			
Long-term loan	13	**260,000,000**	-
End-of-service indemnities		**2,054,992**	1,143,385
Total non-current liabilities		**262,054,992**	1,143,385
Shareholders' equity			
Share capital	1	**1,150,000,000**	1,150,000,000
Statutory reserve		**22,033,385**	6,826,732
Retained earnings		**143,243,278**	7,783,403
Total shareholders' equity		**1,315,276,663**	1,164,610,135
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,825,122,738**	1,838,429,153

The accompanying notes form an integral part of these financial statements

NAJRAN CEMENT COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	2009 SR	2008 SR
Sales		**373,230,104**	198,768,349
Cost of sales		**(195,423,558)**	(85,440,702)
Gross profit		**177,806,546**	113,327,647
Selling and marketing expenses	15	**(3,641,951)**	-
General and administrative expenses	16	**(19,840,135)**	(12,362,708)
Income from operations		**154,324,460**	100,964,939
Investments income (loss)	17	**17,065,553**	(153,295,817)
Finance charges		**(15,371,557)**	-
Other income		**166,234**	973,700
Income (loss) before zakat		**156,184,690**	(51,357,178)
Zakat	12	**(4,118,162)**	(900,000)
NET INCOME (LOSS) FOR THE YEAR		**152,066,528**	(52,257,178)
Number of shares		**115,000,000**	115,000,000
Earnings (loss) per share:	20		
From operations		**1.34**	0.88
From net income (loss)		**1.32**	(0.45)

The accompanying notes form an integral part of these financial statements

NAJRAN CEMENT COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2009

	2009 SR	2008 SR
OPERATING ACTIVITIES		
Income (loss) before zakat	**156,184,690**	(51,357,178)
Adjustments for:		
Depreciation	**77,607,028**	19,178,284
Amortization	**2,822,508**	-
End-of-service indemnities	**911,607**	785,963
Unrealized losses from investments in securities held for trading	**-**	149,484,387
Gain on disposal and adjustment of property and equipment	**(188,802)**	-
Changes in operating assets and liabilities:		
Investments in securities held for trading	**101,936,696**	39,213,573
Accounts receivable	**(14,988,620)**	(8,955,740)
Inventories	**(77,625,626)**	(64,094,842)
Prepaid expenses and other assets	**23,042,820**	(31,116,180)
Due to contractor	**(65,305,595)**	59,866,085
Accrued expenses and other liabilities	**(1,711,489)**	31,153,941
Zakat paid	**(8,913,912)**	-
Net cash from operating activities	**193,771,305**	144,158,293
INVESTING ACTIVITIES		
Purchase of property and equipment	**(25,599,342)**	(41,844,958)
Proceeds from disposal and adjustment of property and equipment	**1,856,046**	-
Construction in progress	**(36,005,876)**	(226,120,366)
Deferred charges	**(2,158,473)**	(456,141)
Net cash used in investing activities	**(61,907,645)**	(268,421,465)
FINANCING ACTIVITIES		
Repayment of short term financing	**(478,071,716)**	(23,737,000)
Proceeds from short term financing	**-**	108,071,716
Long term loan	**385,000,000**	-
Board of directors' remuneration	**(1,400,000)**	(1,400,000)
Net cash (used in) from financing activities	**(94,471,716)**	82,934,716
Net change in cash and bank balances	**37,391,944**	(41,328,456)
Cash and bank balances, beginning of the year	**1,707,694**	43,036,150
CASH AND BANK BALANCES, DECEMBER 31	**39,099,638**	1,707,694
Non-cash transaction:		
Capitalization of work in progress	**1,326,633,855**	-

The accompanying notes form an integral part of these financial statements

NAJRAN CEMENT COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
January 1, 2008	1	1,150,000,000	6,826,732	61,440,581	**1,218,267,313**
Net loss for the year		-	-	(52,257,178)	**(52,257,178)**
Board of Directors' remuneration		-	-	(1,400,000)	**(1,400,000)**
December 31, 2008		1,150,000,000	6,826,732	7,783,403	**1,164,610,135**
Net income for the year		-	-	152,066,528	**152,066,528**
Transfer to statutory reserve	14	-	15,206,653	(15,206,653)	**-**
Board of Directors' remuneration		-	-	(1,400,000)	**(1,400,000)**
December 31, 2009		1,150,000,000	22,033,385	143,243,278	**1,315,276,663**

The accompanying notes form an integral part of these financial statements

1. ORGANIZATION AND ACTIVITIES

Najran Cement Company ("the Company") is a Saudi closed joint stock company, registered on Ramadan 5, 1426 (corresponding to October 9, 2005) under commercial registration number 5950010479 and the industrial license number 1693/S dated Zul Qada'h 28, 1425 (corresponding to January 9, 2005) which was amended by Industrial license number 218/S issued on dated Safar 13, 1427 (corresponding to March 3, 2007).

The share capital of the Company amounted to SR 1,150,000,000 is divided into 115,000,000 shares of SR 10 each.

The principal activities of the Company are manufacturing and marketing of diversified qualities of cement and building materials and to establish or to participate in establishing industrial service companies to provide maintenance and services for factories and also management and operations of cement factories, acquisition of land and real estate, patents and commercial trademarks to achieve its purposes.

During the year ended December 31, 2009, the Company has completed the construction and the testing period and started full commercial production.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Company:

Accounting convention

The financial statements are prepared under the historical cost concept, except investments in securities held for trading which are stated at fair value.

Use of estimates

The preparation of accompanying financial statements in conformity with generally accepted accounting standards requires 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and activities, actual results ultimately may differ from those estimates.

Revenue recognition

Sales are recognized upon delivery of goods to customers and are stated net of trade or quantity discounts.

Income from bank deposit and murabaha are recognized on accrual basis.

Income from investments in securities held for trading is recognized when dividends are declared.

Investments in securities held for trading

Investment in securities held for trading are stated at fair value by reference to exchange quoted market bid prices at the close of business on the balance sheet date. The unrealized and realized gains and losses are included in the statement of income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts receivable

Accounts receivable are stated in the balance sheet at net realizable value after deducting provision for doubtful debts (if any), provision is re-estimated based on analysis of the collectible amounts of the accounts receivable balances at the end of the year.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined, for finished goods, on a weighted average cost basis and includes cost of materials, labor and an appropriate proportion of direct overheads. All other inventories are valued on a weighted average cost basis.

Expenses

Selling and marketing expenses principally comprise of costs incurred in the distribution and sale of the Company's products. All other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

Deferred charges

Deferred charges comprise of license fees, feasibility study other consultation fees, ERP and Oracle Systems. These charges are amortized using the straight line method, over a period of 5 years from the date of commercial operation.

Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the declining balance method.

The estimated rates of depreciation of the principal classes of assets are as follows:

	Percentage
Buildings	4%
Machinery and equipment	5% – 15%
Vehicles	25%
Furniture, fixtures and office equipment	10% – 12.5%
Computers	15%

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts payable and accrued expenses

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

End-of-service indemnities

End-of-service indemnities, as required by Saudi Arabian Labor Law, are provided in the financial statements based on the employees' length of service.

Zakat

The Company is subject to the Regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis. The zakat charge is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

3. CASH AND BANK BALANCES

	2009 SR	2008 SR
Cash on hand	**789,521**	147,263
Cash at banks	**38,310,117**	1,560,431
	39,099,638	1,707,694

4. INVESTMENTS IN SECURITIES HELD FOR TRADING

The investments in securities held for trading comprise share in Dar Al Arkan Real Estate Development Company, a Saudi public shareholding company.

During 2009, the Company received 275,000 shares as stock dividends (one share for every two shares) and sold the entire investment. The investments movement is as follows:

	2009 SR	2008 SR
January 1	**101,936,696**	290,634,656
Shares sold during the year	**(119,002,249)**	(35,211,941)
Realized gain (loss) from sold shares	**17,065,553**	(4,001,632)
Unrealized losses from revaluation – year end	-	(149,484,387)
December 31	-	101,936,696

5. INVENTORIES

	2009 SR	2008 SR
Goods in process	**104,978,228**	45,682,733
Finished goods	**3,812,116**	4,086,527
Raw material	**15,616,805**	8,562,985
Fuel	**1,858,588**	1,868,777
Packing materials	**2,312,483**	7,795,660
Spare parts	**34,358,670**	17,314,582
	162,936,890	85,311,264

6. PREPAID EXPENSES AND OTHER ASSETS

	2009 SR	2008 SR
Advances to suppliers	**8,425,405**	22,367,186
Prepaid expenses	**415,743**	398,239
Advances and loans to employees	**194,913**	220,934
Margins on letters of credit	-	12,240,000
Others	**4,745,348**	1,597,870
	13,781,409	36,824,229

7. PROPERTY, PLANT AND EQUIPMENT

	Land SR	Buildings on leasehold land SR	Machinery and equipment SR	Vehicles SR	Furniture, fixtures and office equipment SR	Computer SR	Total SR
Cost							
January 1, 2009	2,562,500	211,919,977	72,170,771	14,407,610	12,393,996	1,039,020	314,493,874
Additions	-	70,000	22,297,792	1,388,900	482,912	1,359,738	25,599,342
Disposal/adjustment	-	-	-	(140,400)	(1,746,549)	-	(1,886,949)
Transfer from construction in progress	-	398,824,550	927,809,305	-	-	-	1,326,633,855
December 31, 2009	2,562,500	610,814,527	1,022,277,868	15,656,110	11,130,359	2,398,758	1,664,840,122
Accumulated depreciation							
January 1, 2009	-	12,527,961	14,514,912	3,001,503	1,262,523	137,920	31,444,819
Charge for the year	-	21,831,114	51,434,168	3,047,040	1,013,407	281,299	77,607,028
Disposal/adjustment	-	-	-	(45,050)	(174,655)	-	(219,705)
December 31, 2009	**-**	**34,359,075**	**65,949,080**	**6,003,493**	**2,101,275**	**419,219**	**108,832,142**
Net book value							
December 31, 2009	**2,562,500**	**576,455,452**	**956,328,788**	**9,652,617**	**9,029,084**	**1,979,539**	**1,556,007,980**
December 31, 2008	2,562,500	199,392,016	57,655,859	11,406,107	11,131,473	901,100	283,049,055

The Company's property, plant and equipment and construction works in progress, except head quarter building, are constructed on two separate leased lands from government at Sultanah and Aakfah areas in Najran region for a periods of 30 and 25 years respectively and renewable at the option of the Company.

8. CONSTRUCTIONS IN PROGRESS

The Company concluded an agreement with local company to build a cement factory in Najran region. Also, the Company concluded an agreement for supplying of heavy equipment.

The balance of construction in progress as of December 31, consists of the following:

	2009 SR	2008 SR
Works for the construction of the factory	**14,671,831**	1,260,706,416
Advance payment to contractor	-	3,011,667
Testing period expenses, net	-	6,073,304
Borrowing cost	-	35,508,423
	14,671,831	1,305,299,810

The constructions in progress movements as follows:

	2009 SR	2008 SR
Balance, January 1	**1,305,299,810**	1,079,179,444
Additions	**36,005,876**	226,120,366
Capitalization	**(1,326,633,855)**	-
Balance, December 31	**14,671,831**	1,305,299,810

Testing period expenses, net:

	2009 SR	2008 SR
Testing period expenses	-	30,755,806
Sales during testing period	-	(9,680,101)
Stock of finished goods	-	(15,002,401)
	-	6,073,304

9. DEFERRED CHARGES

The movement for deferred charges is as follows:

	2009 SR	2008 SR
Balance, January 1	**13,933,723**	13,477,582
Additions	**2,158,473**	456,141
Amortization	**(2,822,508)**	-
Balance, December 31	**13,269,688**	13,933,723

10. SHORT TERM FINANCING

During 2007, the Company obtained bank facilities from local commercial bank in the form of financing the purchasing and selling of commodities (Al Tawarroq) amounting to SR 400 million to finance its capital expenditure requirements. The utilized facilities as of December 31, 2008 amounted to SR 370 million. This facility is secured by order note payable on demand, undertaking from the Company to route any and all of the private placement proceeds and undertaking to assign all rights of the Industrial Development Fund loan proceeds to the bank. During 2009 the Company restructured this short term financing (see Note 13).

During 2008, the Company obtained bank facilities from local commercial bank in the form of finance contracts (Tayseer tegari) to finance the working capital and payments to contractor. The loan duration is 6 months and matured at end of 2008 renewable at the same conditions. The loan is secured by an order note and the mortgage 180% of the facilities from the Company's investment portfolio. The utilized facilities at December 31, 2008 amounted to SR 108 million. During 2009 the Company settled the amount in full.

11. ACCRUED EXPENSES AND OTHER LIABILITIES

	2009 SR	2008 SR
Services providers	**25,232,698**	32,326,158
Accrued expenses	**4,866,480**	4,222,376
Advances from customers	**2,154,890**	1,210,886
Other	**5,397,284**	1,603,421
	37,651,352	39,362,841

12. PROVISION FOR ZAKAT

The principal elements of the zakat base as of December 31, are as follows:

	2009 SR	2008 SR
Shareholders' equity – beginning balance	**1,164,610,135**	1,218,267,313
Income (loss) before zakat	**77,922,766**	(51,357,178)
Non-current assets and spare parts	**(1,543,893,906)**	(1,619,597,170)
Non-current liabilities	**466,087,485**	488,306,482
Zakat base	**164,726,480**	35,619,447

The movement in the zakat provision is as follows:

	2009 SR	2008 SR
Balance, January 1	**9,991,381**	9,091,381
Provision for the year	**4,118,162**	900,000
Paid during the year	**(8,913,912)**	-
Balance, December 31	**5,195,631**	9,991,381

The Company submitted its zakat returns since inception through December 31, 2008 which are still under review by Department of Zakat and Income Tax.

13. LONG TERM LOAN (TAWARROQ)

	2009 SR	2008 SR
Balance at January 1	-	-
Addition during the year	**415,000,000**	-
Paid during the year	**(30,000,000)**	
Balance at December 31	**385,000,000**	-
Current portion of long term Tawarroq	**(125,000,000)**	-
	260,000,000	-

During 2009, the Company reached to an agreement with commercial bank to restructure the existing Al-Tawarroq facilities of SR 415 million (2008: SR 370 million classified under short term financing) to long-term Tawarroq. The facilities bear a profit markup rate of RIBOR plus 2.25% on an annual basis, management fee amounting to SR 2,075,000. The facilities are repayable in eleven quarterly installments ending on March 31, 2012 and are secured by order notes payable on demand and a pledge on property, plant and equipment owned by the Company.

14. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia and the Company's article of association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equal 50% of the share capital. This reserve is not available for dividend distribution.

15. SELLING AND MARKETING EXPENSES

	2009 SR	2008 SR
Employees' salaries and benefits	**2,930,599**	-
Depreciation	**436,791**	-
Travel expenses	**182,000**	-
Other	**92,561**	-
	3,641,951	-

16. GENERAL AND ADMINISTRATIVE EXPENSES

	2009 SR	2008 SR
Employees' salaries and benefits	**11,557,050**	4,743,123
Depreciation	**1,239,461**	1,724,004
Contractual staff	**1,182,681**	131,074
Travel expenses	**1,164,985**	631,987
Professional fees	**1,003,114**	368,535
Donations	**972,000**	1,410,500
Advertising expenses	**597,224**	305,370
Communication	**372,784**	88,120
Maintenance expenses	**255,030**	205,953
Subscriptions	**120,706**	561,178
Rent	**72,100**	95,517
Insurance	**41,566**	262,240
Vehicle expenses	**32,575**	225,843
Other	**1,228,859**	1,609,264
	19,840,135	12,362,708

17. INVESTMENTS INCOME

	2009 SR	2008 SR
Unrealized loss from investment in trading securities	-	(149,484,387)
Realized gain (loss) from investment in trading securities (Note 4)	**17,065,553**	(4,001,632)
Income from bank deposits and murabahat	-	190,202
	17,065,553	(153,295,817)

18. COMMITMENT

As of December 31, 2009, the Company had commitments in the form of letters of credit amounting to SR 8,093,332 (2008: SR 12,643,299) and letter of guarantees amounting to SR 390,292 (2008: SR Nil).

19. SEGMENT INFORMATION

The Company is administered as one operating segment engaged in the production of cement and related products. The company carries out its activities in the Kingdom of Saudi Arabia.

20. EARNING PER SHARE

Earnings per share from operating income and net income for the year ended December 31, 2009 is calculated by dividing operating income and net income for the year by the outstanding number of shares of 115,000,000 shares as of December 31, 2009.

21. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT

Fair values of financial assets and liabilities:

The carrying book value of financial assets and liabilities are not materially different from their fair values applicable at the balance sheet date.

Currency risk:

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies.

Interest rate risk:

Interest rate risk arises from the possibility that changes in market interest rates will affect the value of interest earning assets and interest bearing liabilities.

Liquidity risk:

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management monitors the maturity profile of its financial assets and liabilities to ensure that adequate liquidity is maintained or made available, as necessary.

Credit risk:

The Company's credit risk is primarily attributable to its liquid funds and receivables. The amounts presented in the balance sheet are stated at net realizable value, estimated by the Company's management based on experience.

22. COMPARATIVE FIGURES

Certain figures for prior year have been reclassified to conform with the presentation in the current year.

NAJRAN CEMENT COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2010

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the shareholders
Najran Cement Company
(a Saudi closed joint stock company)
Najran, Saudi Arabia

Scope of Audit

We have audited the accompanying balance sheet of Najran Cement Company (a Saudi closed joint stock company) ("the Company") as of December 31, 2010, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and notes 1 to 22 which form an integral part of these financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 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 standards 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.

Unqualified Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the Company's bylaws as these relate to the preparation and presentation of these financial statements.

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Rabi Al Awwal 7, 1432
February 10, 2011

Audit . Tax . Consulting . Financial Advisory.

Member of
Deloitte Touche Tohmatsu

NAJRAN CEMENT COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

BALANCE SHEET

AS OF DECEMBER 31, 2010

	Notes	2010 SR	2009 SR
ASSETS			
Current assets			
Cash and bank balances	3	**32,980,282**	39,099,638
Accounts receivable		**75,566,742**	25,355,302
Inventories	4	**158,724,367**	162,936,890
Prepaid expenses and other assets	5	**42,271,798**	13,781,409
Total current assets		**309,543,189**	241,173,239
Non-current assets			
Property, plant and equipment	6	**1,499,131,099**	1,556,007,980
Construction in progress	7	**-**	14,671,831
Deferred charges	8	**39,445,619**	13,269,688
Total non-current assets		**1,538,576,718**	1,583,949,499
TOTAL ASSETS		**1,848,119,907**	1,825,122,738
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short term financing	9	**15,000,000**	-
Current portion of long term loans	12	**94,550,000**	125,000,000
Due to contractor		**4,916,003**	79,944,100
Accrued expenses and other liabilities	10	**44,059,439**	37,651,352
Provision for zakat	11	**8,445,112**	5,195,631
Total current liabilities		**166,970,554**	247,791,083
Non-current liabilities			
Long-term loans	12	**380,370,000**	260,000,000
End-of-service indemnities		**2,782,762**	2,054,992
Total non-current liabilities		**383,152,762**	262,054,992
Shareholders' equity			
Share capital	1	**1,150,000,000**	1,150,000,000
Statutory reserve		**46,205,378**	22,033,385
Retained earnings	13	**101,791,213**	143,243,278
Total shareholders' equity		**1,297,996,591**	1,315,276,663
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,848,119,907**	1,825,122,738

The accompanying notes form an integral part of these financial statements

NAJRAN CEMENT COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2010

	Notes	2010 SR	2009 SR
Sales		**634,693,540**	373,230,104
Cost of sales		**(339,545,200)**	(195,423,558)
Gross profit		**295,148,340**	177,806,546
Selling and marketing expenses	14	**(4,943,085)**	(3,641,951)
General and administrative expenses	15	**(23,695,081)**	(19,840,135)
Income from operations		**266,510,174**	154,324,460
Investments income	16	**-**	17,065,553
Finance charges		**(13,315,900)**	(15,371,557)
Initial Public Offering expenses		**(3,855,683)**	-
Other income		**11,730**	166,234
Income before zakat		**249,350,321**	156,184,690
Zakat	11	**(7,630,393)**	(4,118,162)
NET INCOME FOR THE YEAR		**241,719,928**	152,066,528
Number of shares		**115,000,000**	115,000,000
Earnings per share:	20		
From operations		**2.32**	1.34
From net income		**2.10**	1.32

The accompanying notes form an integral part of these financial statements

NAJRAN CEMENT COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2010

	2010 SR	2009 SR
OPERATING ACTIVITIES		
Income before zakat	**249,350,321**	156,184,690
Adjustments for:		
Depreciation	**80,106,080**	77,607,028
Amortization	**5,715,523**	2,822,508
Provision for doubtful debts	**1,622,692**	-
End-of-service indemnities	**727,770**	911,607
Gain on disposal and adjustment of property and equipment	-	(188,802)
Changes in operating assets and liabilities:		
Investments in securities held for trading	-	101,936,696
Accounts receivable	**(50,211,440)**	(14,988,620)
Inventories	**12,398,516**	(77,625,626)
Prepaid expenses and other assets	**(30,113,081)**	23,042,820
Due to contractor	**(75,028,097)**	(65,305,595)
Accrued expenses and other liabilities	**6,408,087**	(1,711,489)
Zakat paid	**(4,380,912)**	(8,913,912)
Net cash from operating activities	**196,595,459**	193,771,305
INVESTING ACTIVITIES		
Purchase of property and equipment	**(7,568,989)**	(25,599,342)
Proceeds from disposal and adjustment of property and equipment	-	1,856,046
Construction in progress	**(9,174,372)**	(36,005,876)
Deferred charges	**(31,891,454)**	(2,158,473)
Net cash used in investing activities	**(48,634,815)**	(61,907,645)
FINANCING ACTIVITIES		
Repayment of short term financing	**(30,000,000)**	(478,071,716)
Proceeds from short term financing	**45,000,000**	-
Repayment of long term loan	**(110,080,000)**	-
Proceeds from long term loan	**200,000,000**	385,000,000
Dividend paid	**(257,600,000)**	-
Board of directors’ remuneration	**(1,400,000)**	(1,400,000)
Net cash used in financing activities	**(154,080,000)**	(94,471,716)
Net change in cash and bank balances	**(6,119,356)**	37,391,944
Cash and bank balances, January 1	**39,099,638**	1,707,694
CASH AND BANK BALANCES, DECEMBER 31	**32,980,282**	39,099,638
Non-cash transactions:		
Transfer from construction in progress to property and equipment	**15,660,210**	1,326,633,855
Transfers from construction in progress to inventories	**8,185,993**	-

The accompanying notes form an integral part of these financial statements

NAJRAN CEMENT COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2010

	Notes	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
Balance at January 1, 2009	1	1,150,000,000	6,826,732	7,783,403	**1,164,610,135**
Net income for the year		-	-	152,066,528	**152,066,528**
Transfer to statutory reserve	13	-	15,206,653	(15,206,653)	**-**
Board of Directors’ remuneration		-	-	(1,400,000)	**(1,400,000)**
Balance at December 31, 2009	1	1,150,000,000	22,033,385	143,243,278	**1,315,276,663**
Net income for the year		-	-	241,719,928	**241,719,928**
Dividend paid during the year for 2009	17	-	-	(142,600,000)	**(142,600,000)**
Interim dividend paid during the year	17	-	-	(115,000,000)	**(115,000,000)**
Transfer to statutory reserve	13	-	24,171,993	(24,171,993)	**-**
Board of Directors’ remuneration		-	-	(1,400,000)	**(1,400,000)**
Balance at December 31, 2010		1,150,000,000	46,205,378	101,791,213	**1,297,996,591**

The accompanying notes form an integral part of these financial statements

1. ORGANIZATION AND ACTIVITIES

Najran Cement Company ("the Company") is a Saudi closed joint stock company, registered on Ramadan 5, 1426 (corresponding to October 9, 2005) under commercial registration number 5950010479 and the industrial license number 1693/S dated Zul Qada'h 28, 1425 (corresponding to January 9, 2005) granted to Thamarat Najran Company which was amended in favor of Najran Cement Company by Industrial license number 1949 issued on Rajab 2, 1428 (corresponding to August 4, 2007).

The share capital of the Company amounting to SR 1,150,000,000 is divided into 115,000,000 shares of SR 10 for each share.

The principal activities of the Company are manufacturing and marketing of diversified qualities of cement and building materials and establishing or to participating in establishing industrial service companies to provide maintenance and services for factories and also managing and operating cement factories, acquisition of land and real estate, patents and commercial trademarks to achieve its purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with the accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Company:

Accounting convention

The financial statements are prepared under the historical cost concept.

Use of estimates

The preparation of accompanying financial statements in conformity with generally accepted accounting standards requires 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and activities, actual results ultimately may differ from those estimates.

Revenue recognition

Sales are recognized upon delivery of goods to customers and are stated net of trade or quantity discounts.

Accounts receivable

Accounts receivable are stated in the balance sheet at net realizable value after deducting provision for doubtful debts (if any), provision is re-estimated based on analysis of the collectible amounts of the accounts receivable balances at the end of the year.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined, for finished goods, on a weighted average cost basis and includes cost of materials, labor and an appropriate proportion of direct overheads. All other inventories are valued on a weighted average cost basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses

Selling and marketing expenses principally comprise of costs incurred in the distribution and sale of the Company's products. All other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

Deferred charges

Deferred charges comprise of Saudi Industrial Development Fund ("SIDF") evaluation fees, license fees, feasibility study other consultation fees and the costs of ongoing ERP system implementation. These charges are amortized using the straight line method, over a period of 5 years after completion of the related projects. The SIDF evaluation fees is amortized over the period of the loan.

Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the declining balance method.

The estimated rates of depreciation of the principal classes of assets are as follows:

	Percentage
Buildings	4%
Machinery and equipment	5% – 15%
Vehicles	25%
Furniture, fixtures and office equipment	10% – 12.5%
Computers	15%

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of operations.

Accounts payable and accrued expenses

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

End-of-service indemnities

End-of-service indemnities, as required by Saudi Arabian Labor Law, are provided in the financial statements based on the employees' length of service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Zakat

The Company is subject to the Regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis. The zakat charge is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

3. CASH AND BANK BALANCES

	2010 SR	2009 SR
Cash on hand	**608,759**	789,521
Cash at banks	**32,371,523**	38,310,117
	32,980,282	39,099,638

4. INVENTORIES

	2010 SR	2009 SR
Goods in process	**66,999,472**	104,978,228
Spare parts	**62,395,091**	34,358,670
Raw material	**18,574,188**	15,616,805
Packing materials	**5,199,287**	2,312,483
Finished goods	**4,543,179**	3,812,116
Fuel	**1,013,150**	1,858,588
	158,724,367	162,936,890

5. PREPAID EXPENSES AND OTHER ASSETS

	2010 SR	2009 SR
Advances to suppliers	**20,266,826**	8,425,405
Refundable custom duties	**19,625,487**	598,652
Advisory IPO fees	**-**	1,705,684
Prepaid expenses	**1,282,427**	415,743
Others	**2,719,750**	2,635,925
Less: Provision for doubtful allowance	**(1,622,692)**	-
	42,271,798	13,781,409

6. PROPERTY, PLANT AND EQUIPMENT

	Land SR	Buildings SR	Machinery and equipment SR	Vehicles SR	Furniture, fixtures and office equipment SR	Computer SR	Total SR
Cost							
January 1, 2010	2,562,500	610,814,527	1,022,277,868	15,656,110	11,130,359	2,398,758	1,664,840,122
Additions	-	-	6,055,965	1,189,650	241,369	82,005	7,568,989
Transfer from construction in progress	-	6,473,675	9,186,535	-	-	-	15,660,210
December 31, 2010	**2,562,500**	**617,288,202**	**1,037,520,368**	**16,845,760**	**11,371,728**	**2,480,763**	**1,688,069,321**
Accumulated depreciation							
January 1, 2010	-	34,359,075	65,949,080	6,003,493	2,101,275	419,219	108,832,142
Charge for the year	-	23,136,213	53,205,998	2,523,480	938,833	301,556	80,106,080
December 31, 2010	**-**	**57,495,288**	**119,155,078**	**8,526,973**	**3,040,108**	**720,775**	**188,938,222**
Net book value							
December 31, 2010	**2,562,500**	**559,792,914**	**918,365,290**	**8,318,787**	**8,331,620**	**1,759,988**	**1,499,131,099**
December 31, 2009	2,562,500	576,455,452	956,328,788	9,652,617	9,029,084	1,979,539	1,556,007,980

The Company's property, plant, equipment and construction works in progress, except headquarter building, are constructed on two separate leased lands from government at Sultanah and Aakfah areas in Najran region for a periods of 30 and 25 years respectively and renewable at the option of the Company.

7. CONSTRUCTIONS IN PROGRESS

The Company concluded an agreement with a local company to build a cement factory in Najran region. Also, the Company concluded an agreement for importing of heavy equipment.

The balance of construction in progress as of December 31, consists of the following:

	2010 SR	2009 SR
Works for the construction of the factory	-	14,671,831
	-	14,671,831

The constructions in progress movement is as follows:

	2010 SR	2009 SR
Balance at, January 1	**14,671,831**	1,305,299,810
Additions	**9,174,372**	36,005,876
Capitalization	**(23,846,203)**	(1,326,633,855)
Balance at, December 31	-	14,671,831

8. DEFERRED CHARGES

The movement of deferred charges is as follows:

	2010 SR	2009 SR
Balance at, January 1	**13,269,688**	13,933,723
Additions	**31,891,454**	2,158,473
Amortization	**(5,715,523)**	(2,822,508)
Balance at, December 31	**39,445,619**	13,269,688

9. SHORT TERM FINANCING

During 2010, the Company obtained bank facilities from local commercial bank in the form of finance contracts (Tayseer Tegari) amounting to SR 45 million to finance its capital works. The profit rate is Sibor plus 2.25%. The loan is repayable in twelve monthly installments ending April 30, 2011. The loan is secured by a promissory note and the covenant to deposit 40% of the Company sales proceeds with the bank.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	2010 SR	2009 SR
Services providers	**19,977,885**	25,232,698
Accrued expenses	**9,003,782**	4,866,480
Raw materials royalties	**6,295,943**	4,122,883
Advances from customers	**3,702,650**	2,154,890
Other	**5,079,179**	1,274,401
	44,059,439	37,651,352

11. PROVISION FOR ZAKAT

The principal elements of the zakat base as of December 31, are as follows:

	2010 SR	2009 SR
Shareholders' equity – beginning balance	**1,172,033,385**	1,164,610,135
Income before zakat	**85,305,101**	77,922,766
Non-current assets and spare parts	**(1,430,720,444)**	(1,543,893,906)
Non-current liabilities	**478,597,684**	466,087,485
Zakat base	**305,215,726**	164,726,480

11. PROVISION FOR ZAKAT

The movement in the zakat provision is as follows:

	2010 SR	2009 SR
Balance at, January 1	**5,195,631**	9,991,381
Provision for the year	**7,630,393**	4,118,162
Paid during the year	**(4,380,912)**	(8,913,912)
Balance at, December 31	**8,445,112**	5,195,631

The Company submitted its zakat returns since inception through December 31, 2009 which are still under review by Department of Zakat and Income Tax.

12. LONG TERM LOANS

	2010 SR	2009 SR
Balance at January 1	**385,000,000**	-
Addition during the year	**200,000,000**	415,000,000
Paid during the year	**(110,080,000)**	(30,000,000)
Balance at December 31	**474,920,000**	385,000,000
Current portion of long term loans	**(94,550,000)**	(125,000,000)
	380,370,000	260,000,000

During 2010, the Company reached to an agreement to restructure Tawarroq facilities of SR 355 million (2009: SR 365 million). This facility bears a profit markup rate of Ribor plus 2.25 % to be serviced on quarterly basis with a one time restructuring fee of SR 1,775,000 and is repayable in seventeen quarterly installments ending June 30, 2014. This facility is secured by a promissory note.

During 2008, the Company signed a term loan facility of SR 454.6 million with the Saudi Industrial Development Fund ("SIDF") read with the amendment dated Rajab 2, 1431 (corresponding June 14, 2010). The loan is free of interest and is repayable in fourteen semi-annual installments starting on Sha'ban 15, 1432 H (corresponding to July 11, 2011) and is secured by order notes supplemented by a mortgage on all property, plant and equipment of the Company excluding grinding facilities at Aakfah. The facility is also secured by personal guarantees of three shareholders of the Company. An evaluation fee of SR 34 million is stipulated in the contract out of which, SR 29.90 million were appropriated by the SIDF while disbursing the first installment of SR 200 million in the financial year 2010.

13. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia and the Company's article of association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equal 50% of the share capital. This reserve is not available for dividend distribution.

14. SELLING AND MARKETING EXPENSES

	2010 SR	2009 SR
Employees' salaries and benefits	**3,786,674**	2,930,599
Depreciation	**776,626**	436,791
Travel expenses	**120,500**	182,000
Other	**259,285**	92,561
	4,943,085	3,641,951

15. GENERAL AND ADMINISTRATIVE EXPENSES

	2010 SR	2009 SR
Employees' salaries and benefits	**12,431,768**	11,557,050
Donations	**2,849,000**	972,000
Provision for doubtful debts	**1,622,692**	-
Travel expenses	**1,228,071**	1,164,985
Depreciation	**1,215,942**	1,239,461
Advertising expenses	**768,490**	597,224
Contracted staff	**698,631**	1,182,681
Professional fees	**631,353**	1,003,114
Communication	**316,399**	372,784
Maintenance expenses	**289,218**	255,030
Vehicle expenses	**192,128**	32,575
Rent	**146,900**	72,100
Subscriptions	**70,573**	120,706
Insurance	**37,066**	41,566
Other	**1,196,850**	1,228,859
	23,695,081	19,840,135

16. INVESTMENTS INCOME

	2010 SR	2009 SR
Realized gain from investment in trading securities	-	17,065,553
	-	17,065,553

17. DIVIDENDS

The General Assembly in its meetings held on June 27, 2010 (corresponding to Rajab 15, 1431) approved distribution of cash dividends relating to 2009 amounting to SR 142.6 million (2009: Nil).

The Board of Directors in its meeting held on August 4, 2010 (corresponding to Sha'ban 23, 1431) decided distribution of interim cash dividends amounting to SR 115 million (2009: Nil).

18. COMMITMENT

As of December 31, 2010, the Company had commitments in the form of letters of credit amounting to SR 9,627,207 (2009: SR 8,093,332), letter of guarantees amounting to SR 766,628(2009: SR 390,292) and outward bills for collection amounting to SR 641,894.

19. SEGMENT INFORMATION

The Company is administered as one operating segment engaged in the production of cement and related products. The company carries out its activities in the Kingdom of Saudi Arabia.

20. EARNING PER SHARE

Earnings per share from operating income and net income for the years ended December 31, 2010 and 2009 is calculated by dividing operating income and net income for the year by the outstanding number of shares of 115,000,000 shares.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Trade and other receivables mainly comprise amounts receivable from customers. The average credit period taken on trade receivables is 30 days.

Trade and other payables mainly comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days.

Credit Risk is the risk that one party to a financial asset will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk. Cash is substantially placed with national banks with sound credit ratings.

Interest Rate Risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Company has no significant interest bearing long term assets and liabilities at December 31, 2010.

Liquidity Risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an 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 that sufficient funds are available to meet any future commitments.

Currency Risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Management monitors the fluctuations in currency exchange rates and manages its effect on the financial statements accordingly.

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. As the Company's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair value of the Company's financial assets and liabilities are not materially different from their carrying values.

22. COMPARATIVE FIGURES

Certain figures for prior year have been reclassified to conform with the presentation in the current year.

NAJRAN CEMENT COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of

Najran Cement Company

(a Saudi Closed Joint Stock Company)

Najran, Saudi Arabia

We have audited the accompanying balance sheet of Najran Cement Company "A Saudi Closed Joint Stock Company" as of December 31, 2011, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, including the related notes from 1 to 24. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of the Regulations for Companies and presented to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Najran Cement Company for the year ended December 31, 2010, were audited by another auditor who expressed an unqualified opinion on those statements on February 10, 2011.

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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

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

present fairly, in all material respects, the financial position of Najran Cement Company as of December 31, 2011 and the results of its operations, cash flows and changes in shareholders' equity for the year then ended in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia; and

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 BDO Dr. Mohamed Al-Amri & Co.,

NAJRAN CEMENT COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

BALANCE SHEET

AS AT DECEMBER 31, 2011

	Note	2011 SR	2010 SR
ASSETS			
Current assets			
Cash and cash equivalents	3	**11,579,350**	32,883,485
Accounts receivable		**107,679,730**	70,557,689
Inventories	4	**141,691,321**	158,724,367
Prepayments and other receivables	5	**37,267,486**	42,368,596
Total current assets		**298,217,887**	304,534,137
Non-current assets			
Property, plant and equipment	6	**1,453,206,643**	1,499,131,099
Capital work in progress	6	**210,522,169**	-
Intangible assets	7	**37,349,215**	39,445,619
Total non-current assets		**1,701,078,027**	1,538,576,718
TOTAL ASSETS		**1,999,295,914**	1,843,110,855
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short term financing	8	**60,000,000**	15,000,000
Current portion of long term loans	11	**80,000,000**	94,550,000
Trade creditors		**47,887,325**	25,013,888
Accruals and other payables	9	**18,456,382**	18,952,502
Provision for zakat	10	**12,163,265**	8,445,112
Total current liabilities		**218,506,972**	161,961,502
Non-current liabilities			
Long term loans	11	**553,500,000**	380,370,000
End-of-service indemnities	12	**4,160,621**	2,782,762
Total non-current liabilities		**557,660,621**	383,152,762
Total liabilities		**776,167,593**	545,114,264
Shareholders' equity			
Share capital	1	**1,219,000,000**	1,150,000,000
Statutory reserve		**668,751**	46,205,378
Retained earnings		**3,459,570**	101,791,213
Total shareholders' equity		**1,223,128,321**	1,297,996,591
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,999,295,914**	1,843,110,855

The accompanying notes 1 through 24 form an integral part of these financial statements.

NAJRAN CEMENT COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011 SR	2010 SR
Revenues	13	**697,454,112**	637,429,793
Cost of revenues	14	**(401,047,934)**	(336,701,369)
Gross profit		**296,406,178**	300,728,424
Selling and marketing expenses	15	**(9,194,597)**	(7,679,338)
General and administrative expenses	16	**(23,865,774)**	(23,695,081)
Operating income		**263,345,807**	269,354,005
Financial and other expenses	17	**(21,624,581)**	(20,015,414)
Other income – net of expenses		**912,504**	11,730
Net income before zakat		**242,633,730**	249,350,321
Zakat	11	**(8,000,000)**	(7,630,393)
Net income for the year		**234,633,730**	241,719,928
Earnings per share:			
From operating income	20	**2.16**	2.21
From other activities, including zakat	20	**(0.24)**	(0.23)
From net income	20	**1.92**	1.98

The accompanying notes 1 through 24 form an integral part of these financial statements.

NAJRAN CEMENT COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011 SR	2010 SR
Cash flows from operating activities:		
Net income before zakat for the year	**242,633,730**	249,350,321
Adjustments to reconcile net income before zakat with net cash provided by operating activities:		
Depreciation	**78,212,406**	80,106,080
Amortization	**4,284,722**	2,871,692
Loss on disposal of property, plant and equipment	**8,517**	-
Finance charges	**21,624,581**	16,159,732
End-of-service indemnities	**1,654,000**	833,539
Changes in operating assets and liabilities:		
Accounts receivable	**(37,122,041)**	(45,738,956)
Inventories	**17,033,048**	12,398,517
Prepayments and other receivables	**(11,430,040)**	(28,542,205)
Trade creditors	**14,661,667**	(5,299,813)
Accruals and other payables	**(1,270,055)**	7,235,418
Cash from operations	**330,290,535**	289,374,325
Zakat paid	**(4,281,847)**	(4,380,912)
Finance charges paid	**(15,314,918)**	(13,315,902)
End of service indemnities paid	**(276,141)**	(105,769)
Net cash provided by operating activities	**310,417,629**	271,571,742
Cash flows from investing activities:		
Purchase of property, plant and equipment	**(12,204,225)**	(7,568,990)
Payments to contractors (construction in progress)	**(202,310,397)**	(84,202,470)
Proceeds from disposal of property, plant and equipment	**61,045**	-
Purchase of intangible assets	**(8,040,122)**	(1,971,453)
Net cash used in investing activities	**(222,493,699)**	(93,742,913)
Cash flows from financing activities:		
Net short term financing drawn-down	**45,000,000**	15,000,000
Proceeds from long term loans	**443,970,000**	170,080,000
Repayment of long term loans	**(289,470,000)**	(110,080,000)
Dividends paid	**(307,328,065)**	(257,600,000)
Board of Directors' remuneration paid	**(1,400,000)**	(1,400,000)
Net cash used in financing activities	**(109,228,065)**	(184,000,000)
Net change in cash and cash equivalents	**(21,304,135)**	(6,171,171)
Cash and cash equivalents, beginning of the year	**32,883,485**	39,054,656
Cash and cash equivalents, end of the year	**11,579,350**	32,883,485
Material non-cash transactions:		
Charges deducted at source on draw-down of loan	**4,080,000**	29,920,000
Transfer from prepayments and other receivables to property, plant and equipment	**16,531,145**	-
Transfer from intangible assets to property, plant and equipment	**3,622,142**	-
Transfers from construction in progress to inventories	**-**	8,185,993
Transfers from construction in progress to property, plant and equipment	**-**	15,660,210

The accompanying notes 1 through 24 form an integral part of these financial statements.

NAJRAN CEMENT COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
Balance at January 1, 2010		1,150,000,000	22,033,385	143,243,278	**1,315,276,663**
Net income for the year		-	-	241,719,928	**241,719,928**
Transferred to statutory reserve		-	24,171,993	(24,171,993)	-
Dividends paid	18	-	-	(257,600,000)	**(257,600,000)**
Board of Directors' remuneration		-	-	(1,400,000)	**(1,400,000)**
Balance as at December 31, 2010		1,150,000,000	46,205,378	101,791,213	**1,297,996,591**
Net income for the year		-	-	234,633,730	**234,633,730**
Transferred to statutory reserve		-	23,463,373	(23,463,373)	-
Capitalization of reserves	1	69,000,000	(69,000,000)	-	-
Dividends declared	18	-	-	(308,102,000)	**(308,102,000)**
Board of Directors' remuneration		-	-	(1,400,000)	**(1,400,000)**
Balance as at December 31, 2011		1,219,000,000	668,751	3,459,570	**1,223,128,321**

On November 19, 2011 (corresponding to 23 Dh Hijja, 1432), appropriate regulatory approvals were obtained to issue 6.9 million shares of SR 10 each, by way of capitalization of the balance as at September 30, 2011 of the statutory reserve. On November 21, 2011 (corresponding to 25 Dhul Hijja, 1432), the Company's shareholders approved the capitalization and the issue was effected.

The accompanying notes 1 through 24 form an integral part of these financial statements.

1. ORGANIZATION AND ACTIVITIES

Name of the Company:	Najran Cement Company ("the Company")
Legal Entity:	A Saudi Closed Joint Stock Company
Commercial Registration:	The Company was registered on Ramadan 5, 1426 (corresponding to October 9, 2005) under commercial registration number 5950010479 and Industrial License number 1693/S dated Zul Qada'h 28, 1425 (corresponding to January 9, 2005) granted to Thamarat Najran Company which was amended in favor of Najran Cement Company by Industrial License number 1949 issued on Rajab 2, 1428 (corresponding to August 4, 2007). On Rajab 25, 1432 (corresponding to June 27, 2011), the Company was granted a new Industrial License number 5482.
Company's Head Office:	The Company's Head Office is located at Najran.
Capital:	The share capital of the Company was SR 1,150,000,000, divided into 115,000,000 shares of SR 10 per share. On November 21, 2011, the Company's shareholders approved the increase in the Company's authorized share capital to SR 1,700,000,000 and the issuance of 6.9 million bonus shares of SR 10 each, thereby increasing the Company's issued share capital to SR 1,219,000,000, being 121,900,000 shares of SR 10 each. It is the Company's intention to issue the remaining 48,100,000 authorized but unissued shares of SR 10 each by way of an Initial Public Offering in 2012.
Company's Activities:	The principal activities of the Company are manufacturing and marketing of diversified qualities of cement. In addition, the Company is authorized to manufacture and market building materials, and become involved in establishing or participating in establishing industrial service companies to provide maintenance and services for factories as well as management and operations of cement factories, acquisition of land and real estate, patents and commercial trademarks to achieve its purposes.
Financial Year:	The Company's financial year starts on January 1 each Gregorian year and ends on December 31 of the same year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting convention

The accompanying financial statements have been prepared under the historical cost convention on the accruals basis of accounting in accordance with generally accepted accounting principles in the Kingdom of Saudi Arabia. Significant accounting policies adopted in the preparation of these financial statements are set out below.

Use of estimates

The preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that might affect the valuation of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of current events and activities, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of revision and future years if the revision affects both current and future years. The significant areas of estimation uncertainty and critical adjustments in applying accounting policies that have most significant effect on the amounts recognized in the financial statements are as follows:

- estimated useful economic lives and residual values of property, plant and equipment
- estimated useful lives of intangible assets
- provisions

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and other short-term highly liquid investments of less than three months maturity at their acquisition date.

Accounts receivable and amounts due to customers

Accounts receivable are stated in the balance sheet at net realizable value after deducting provision for doubtful debts (if any). The provision is re-estimated based on an analysis of the collectible amounts of the accounts receivable balances at the end of the year.

The Company has a policy of requiring certain customers to pay in advance of receipt of goods. Where advances have been received but goods not delivered as at the year end, this is classified as amounts due to customers and included in current liabilities.

Offsetting

In the normal course of business, the Company both provides cement to certain companies, and receives services from such companies. For purposes of financial statements disclosures and based on an understanding between the relevant parties, these balances are offset against each other.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a weighted average basis. Cost of trading inventories (raw materials, fuel and packing materials, and goods in process and finished goods) includes, where applicable, cost of materials, labor and an appropriate proportion of direct overheads. Net realizable value is selling price less costs to sell.

Property, plant and equipment

Property, plant and equipment, except land which is not depreciated, are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the declining balance method.

The estimated annual rates of depreciation of the principal classes of assets are as follows:

	Percentage
Buildings	4%
General plant, machinery and equipment	5%
Quarry machinery and equipment	15%
Vehicles	25%
Furniture, fixtures and office equipment	10% - 12.5%
Computers	15%

Construction in progress includes all costs incurred to date in connection with major expansion projects, and which have not been reclassified as one of the asset classes noted above.

Borrowings costs incurred to finance the construction of property, plant and equipment are capitalized as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-current assets

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount, and the impairment loss is recognized as an expense immediately in the statement of income.

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

Intangible assets

Intangible assets comprise the Saudi Industrial Development Fund (SIDF) evaluation fees, feasibility studies, consultation fees for the ERP system and the cost of ERP post-implementation supports services. The SIDF evaluation fees are amortized over the period of the loan (8 years) and shown as finance expenses. All the other intangible assets are amortized using the straight line method, over a period of 5 years after completion of the related projects.

Accounts payable, accrued expenses and advances to suppliers

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not. Appropriate provisions are made for production related charges in accordance with service contract arrangements.

During the normal course of business, the Company is required to pay in advance for certain goods or services so as to guarantee production and delivery of goods or services. Where advances have been made but goods or services not received as at the year end, this is classified as amounts due from suppliers and included in current assets.

End-of-service indemnities

End-of-service indemnities, as required by Saudi Arabian Labor Law, are provided in the financial statements based on the employees' length of service.

Borrowings

Borrowings are recognized based on gross proceeds received. Where the finance cost is recovered in advance at the time of loan disbursement, the amount is treated as a prepayment and is amortized over the term of the loan in a manner so as to yield a constant rate on the balance amount of loan outstanding.

Commission relating to borrowings is reported within finance charges in the statement of income.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Where the Company has a long term facility agreement operated on a Tawarroq mechanism of roll-overs through individual deals, such amounts are classified as long term borrowings.

For statement of cash flow purposes, these roll-over transactions are treated as one transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the issued share capital. This reserve is not available for dividend distribution, however, is available for issuance of bonus shares upon obtaining appropriate approvals.

Revenue recognition

Revenues are recognized upon delivery of goods to customers and are stated net of trade and quantity discounts.

Cost of revenues

Cost of revenues includes direct costs of production, including costs of materials, contract services, depreciation of production related property, plant and equipment, amortization of production related deferred charges, and overheads directly attributable to production.

Expenses

Selling and marketing expenses comprise of costs incurred in the distribution and sale of the Company's products including employee costs, and transport costs. All other operating expenses are classified as general and administrative expenses.

Zakat

The Company is subject to the Regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided for on the accruals basis. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of income as part of general and administrative expenses.

Earning per share

Earnings per share from operating income, other activities and net income is calculated by dividing operating income, other activities and net income for the relevant year by the weighted average of ordinary shares issued and outstanding during the year. Where a bonus issue of shares has been effected by way of capitalization of reserves and there has been no consideration received, the weighted average number of shares outstanding is re-stated as if the bonus issue had been made from the beginning of the first period presented.

3. CASH AND CASH EQUIVALENTS

	2011 SR	2010 SR
Cash on hand	-	511,962
Cash at banks	**11,579,350**	32,371,523
	11,579,350	32,883,485

4. INVENTORIES

	2011 SR	2010 SR
Raw materials, fuel and packing materials	**25,736,720**	24,786,625
Goods in process	**27,656,609**	66,999,472
Finished goods	**5,496,817**	4,543,179
Trading inventories	**58,890,146**	96,329,276
Spare parts for plant & machinery	**82,801,175**	62,395,091
	141,691,321	158,724,367

5. PREPAYMENTS AND OTHER RECEIVABLES

	2011 SR	2010 SR
Advances to suppliers	**27,400,191**	20,266,826
Refundable custom duties	**3,106,248**	19,625,487
Prepaid expenses	**1,903,605**	1,282,427
IPO expenses	**3,790,324**	-
Others, net of provision	**1,067,118**	1,193,856
	37,267,486	42,368,596

6. PROPERTY, PLANT AND EQUIPMENT

	Land SR	Buildings SR	Plant and quarry machinery and equipment SR	Vehicles SR	Furniture, fixtures and office equipment SR	Computers SR	Total SR
Cost							
January 1, 2011	2,562,500	617,288,202	1,037,520,368	16,845,760	11,371,728	2,480,763	1,688,069,321
Additions	-	-	10,938,917	541,250	203,358	520,700	12,204,225
Transfer from custom duties refundable	-	-	16,531,145	-	-	-	16,531,145
Transfer from intangible assets	-	-		-	-	3,622,142	3,622,142
Disposals	-	-		(185,500)	-	-	(185,500)
December 31, 2011	**2,562,500**	**617,288,202**	**1,064,990,430**	**17,201,510**	**11,575,086**	**6,623,605**	**1,720,241,333**
Accumulated depreciation							
January 1, 2011	-	57,495,288	119,155,078	8,526,973	3,040,108	720,775	188,938,222
Charge for the year	-	22,391,717	51,984,780	2,133,452	863,307	839,150	78,212,406
Disposals	-	-	-	(115,938)	-	-	(115,938)
December 31, 2011	**-**	**79,887,005**	**171,139,858**	**10,544,487**	**3,903,415**	**1,559,925**	**267,034,690**
Net book value							
December 31, 2011	**2,562,500**	**537,401,197**	**893,850,572**	**6,657,023**	**7,671,671**	**5,063,680**	**1,453,206,643**
December 31, 2010	2,562,500	559,792,914	918,365,290	8,318,787	8,331,620	1,759,988	1,499,131,099

The Company's property, plant, equipment, except the headquarters building at Najran, are constructed on two separate leased lands from the Government at Sultanah and Aakfah areas in Najran region for periods of 30 and 25 years respectively and are renewable at the option of the Company.

Property, plant and equipment with a net book value of SR 1,393,013,183 is mortgaged to financial institutions as security for loans (see note 11).

During the year ended December 31, 2011, the Company signed a contract for the construction of a third production line at its production site, and commenced other projects. The costs incurred as at the year-end, totaling SR 210,552,169 comprised primarily of advance payments .

7. INTANGIBLE ASSETS

	SIDF Evaluation Fee SR	Feasibility Studies SR	ERP Project Costs SR	Total SR
Cost:				
January 1, 2011	29,920,000	14,358,459	3,705,190	47,983,649
Additions	4,080,000	7,065,149	974,974	12,120,123
Reclassifications	-	-	(3,622,142)	(3,622,142)
December 31, 2011	**34,000,000**	**21,423,608**	**1,058,022**	**56,481,630**
Accumulated Amortization:				
January 1, 2011	2,843,831	5,694,199	-	8,538,030
Amortization	6,309,662	4,284,723	-	10,594,385
December 31, 2011	**9,153,493**	**9,978,922**	**-**	**19,132.415**
Net Book Value:				
As at December 31, 2011	24,846,507	11,444,686	1,058,022	37,349,215
As at December 31, 2010	27,076,169	8,664,260	3,705,190	39,445,619

Amortization of SIDF evaluation fee amounting to SR. 6,309,662 (2010: SR 2,843,831) is included in management fees under financial and other expenses (see note 17).

8. SHORT TERM FINANCING

During the year ended December 31, 2011, the Company obtained a trading facility (Tayseer Trading) from a local commercial bank amounting to SR 41 million, which was repaid in full on August 3, 2011. The profit rate was 2.5334% per annum and was secured by a payment order of SR 41 million. The Company subsequently obtained, and drew-down a further Tayseer Trading facility from a local commercial bank for a maximum amount of SR 45 million with roll-overs extending to four months at varying profit rates for each individual roll-over. The current roll-over of SR 45 million will expire on March 30, 2012. The profit rate is 2.4867 % per annum.

In addition, the Company drew-down SR 15 million under a Tawarroq facility which is due for repayment in January 2012.

9. ACCRUALS AND OTHER PAYABLES

	2011 SR	2010 SR
Accrued expenses	**3,762,314**	5,309,877
Raw material royalties	**6,226,888**	6,295,943
Advances from customers	**5,890,775**	3,702,650
Dividends unpaid	**773,935**	-
Others	**1,802,470**	3,644,032
	18,456,382	18,952,502

10. PROVISION FOR ZAKAT

	2011 SR	2010 SR
Balance at January 1	**8,445,112**	5,195,631
Provision for the year	**8,000,000**	7,630,393
Paid during the year	**(4,281,847)**	(4,380,912)
Balance at December 31	**12,163,265**	8,445,112

The principal elements of the zakat base were as follows:

	2011 SR	2010 SR
Shareholders' equity – beginning balance	**1,196,205,378**	1,172,033,385
Adjusted net income before zakat	**129,231,444**	85,305,101
Non-current assets and spare parts	**(1,198,191,711)**	(1,430,720,444)
Non-current liabilities	**187,504,992**	478,597,684
Zakat base	**314,750,103**	305,215,726
Zakat at 2.5%	**8,000,000**	7,630,393

The Company has submitted its zakat returns since inception up to and including the year ended December 31, 2010, to the Department of Zakat and Income Tax ("DZIT"), however, these are still under review by the DZIT.

11. LONG TERM LOANS

Saudi Fransi Bank

	2011 SR	2010 SR
Balance at January 1	**274,920,000**	385,000,000
Received during the year	**193,500,000**	-
Repaid during the year	**(274,920,000)**	(110,080,000)
Balance at December 31,	**193,500,000**	274,920,000
Shown as:		
Current portion of long-term loan	**-**	80,000,000
Long-term portion	**193,500,000**	194,920,000
	193,500,000	274,920,000

Saudi Industrial Development Fund

	2011 SR	2010 SR
Balance at January 1	**200,000,000**	-
Received during the period *	**254,550,000**	200,000,000
Repaid during the year	**(14,550,000)**	-
Balance at December 31,	**440,000,000**	200,000,000
Shown as:		
Current portion of long term loan	**80,000,000**	14,550,000
Long-term portion	**360,000,000**	185,450,000
	440,000,000	200,000,000

	2011 SR	2010 SR
Current portion of long term loans	**80,000,000**	94,550,000
Long term portion	**553,500,000**	380,370,000
	633,500,000	474,920,000

* Amounts drawn-down during the year comprised:

	2011 SR	2010 SR
Cash received	**250,470,000**	170,080,000
Intangible assets (note 7)	**4,080,000**	29,920,000
Total	**254,550,000**	200,000,000

11. LONG TERM LOANS (Continued)

In addition to evaluation fees classified as intangible assets, SIDF is also charging follow-up fees, and such charges during the year ended December 31, 2011 totaled SR 2,112,000.

During the year ended December 31, 2011, the Company repaid in full the amount due to Saudi Fransi Bank ("SFB") totaling SR 274.92 million. It also entered into a new multi purposes facility agreement with SFB with a limit of SR 500 million. This new facility has a profit markup rate of RIBOR plus 2.25% to be serviced on a quarterly basis and is repayable in twenty quarterly installments starting on September 30, 2013 and ending on June 30, 2018. This facility is secured by, inter alia, an order note amounting to SR 500 million. Under the facility that has been repaid in full, SFB was the 2nd Beneficiary on the Company's insurance policy covering the property, plant and equipment at the operating plants. A management fee of SR 2.5 million was charged in connection with the obtaining of the new facility. As at December 31, 2011, the Company had drawn-down a total of SR 193.5 million under this facility, which is due for repayment on March 31, 2012. As it is the Company's intention to roll-over this amount under the facility agreement, it has been accounted for as a long term loan.

During 2008, the Company signed a term loan facility of SR 454.6 million with the Saudi Industrial Development Fund ("SIDF") which was subsequently amended on Rajab 2, 1431 (corresponding to June 14, 2010). The loan is interest-free and is repayable in fourteen semi-annual installments starting on Sha'ban 15, 1432H (corresponding to July 17, 2011) and is secured by order notes supplemented by a mortgage on all property, plant and equipment of the Company excluding the grinding facilities at Aakfah. The facility is also secured by personal guarantees of three of the shareholders of the Company. SIDF is also the 1st Beneficiary on the Company's insurance policy covering the property, plant and equipment at the operating plants. An evaluation fee of SR 34 million is stipulated in the contract out of which SR 29.92 million was appropriated by the SIDF whilst disbursing the first installment of SR 200 million in the financial year 2010. The remaining SR 4.08 million was incurred during the year ended December 31, 2011 upon the draw-down of the remaining SR 254.5 million. These charges are included in deferred charges (see note 7 – intangible assets).

12. END OF SERVICE INDEMNITIES

	2011 SR	2010 SR
Balance at January 1	**2,782,762**	2,054,992
Provision for the year	**1,654,000**	833,539
Payments made during the year	**(276,141)**	(105,769)
Balance at December 31	**4,160,621**	2,782,762

13. REVENUES

	2011 SR	2010 SR
Gross sales of products	**761,409,591**	738,018,401
Discounts allowed	**(63,955,479)**	(100,588,608)
Net revenues	**697,454,112**	637,429,793

The Company's top 5 customers accounted for approximately 52% of gross sales during the year end December 31, 2011 (2010: 58%).

14. COST OF REVENUES

	2011 SR	2010 SR
Raw materials consumed	**77,238,721**	76,279,929
Salaries, wages & other benefits	**35,051,839**	28,909,426
Technical operators' costs	**47,105,777**	35,381,078
Fuels	**64,290,863**	42,126,330
Repairs & maintenance	**50,044,430**	24,719,336
Insurance	**1,846,722**	1,843,173
Depreciation	**75,719,901**	78,113,512
Others	**12,683,921**	11,879,534
	363,982,174	299,252,318
Opening stock of trade	**72,084,487**	109,533,538
Closing stock of trade	**(35,018,727)**	(72,084,487)
Change in inventories	**37,065,760**	37,449,051
	401,047,934	336,701,369

15. SELLING AND MARKETING EXPENSES

	2011 SR	2010 SR
Employees' salaries and benefits	**4,089,833**	3,786,674
Depreciation	**732,017**	776,626
Transportation charges	**3,941,383**	2,736,253
Others	**431,364**	379,785
	9,194,597	7,679,338

16. GENERAL AND ADMINISTRATIVE EXPENSES

	2011 SR	2010 SR
Employees' salaries and benefits	**15,199,895**	12,431,768
Depreciation	**1,760,488**	1,215,942
Travel expenses	**540,488**	1,228,071
Donations	**1,379,500**	2,849,000
Professional fees	**886,470**	631,353
Bank charges	**130,633**	168,842
Contracted salaries	**732,526**	698,631
Advertising expenses	**644,660**	768,490
Communications	**524,942**	316,399
Maintenance	**427,625**	289,218
Vehicles expenses	**221,541**	192,128
Rent	**332,069**	146,900
Subscriptions	**76,304**	70,573
Insurance	**23,259**	37,066
Provision for bad debts	**-**	1,622,692
Others	**985,374**	1,028,008
	23,865,774	23,695,081

17. FINANCIAL AND OTHER EXPENSES

	2011 SR	2010 SR
Management fees	**12,406,155**	4,731,331
Profit charges on short and long-term finance	**9,218,426**	11,428,400
IPO expenses written off	**-**	3,855,683
	21,624,581	20,015,414

Management fees include amortization of SIDF evaluation fees amounting to SR 6,309,662 (2010: SR 2,843,831) – see note 7.

18. DIVIDENDS

The General Assembly of Sharaeholders in its meeting held on March 16, 2011 (corresponding to Rabi Thani 11, 1432) approved the total distribution of cash dividends for the year ended December 31, 2010 amounting to SR 216,200,000, of which SR 101,200,000 was subsequently paid in the year ended December 31, 2011 and SR 115,000,000 which had already been paid in 2010.

The Board of Directors in its meeting held on April 3, 2011 (corresponding to Rabi Thani 29, 1432) recommended the distribution of a cash dividend amounting to SR 60,950,000 for the 3 months ended March 31, 2011.

The Board of Directors in its meeting held on August 3, 2011 (corresponding to Ramadan 3, 1432H) recommended the distribution of a cash dividend amounting to SR 71,202,000 for the 3 months ended June 30, 2011.

The Board of Directors in its meeting held on October 10, 2011, (corresponding to 12 Dh Qa'da 1432) recommended the distribution of a cash dividend amounting to SR 74,750,000 for the 3 months ended September 30, 2011, making the total declared for the year ended December 31, 2011 to date, SR 206,902,000.

As of December 31, 2011, dividends totaling SR 773,935 remained unpaid. Total dividends paid in the year ended December 31, 2011 totaled SR 307,328,065.

19. COMMITMENTS

As of December 31, 2011, the Company had commitments in the form of letters of credit and outward bills for collection amounting to SR 5,518,177 (2010: SR 10,269,101), letters of guarantee amounting to SR 52,695 (2010: SR 266,628) and performance bonds amounting to SR 2,000,000 (2010: SR 500,000).

As of December 31, 2011, the Company had an outstanding capital commitment of SR 849,747,225 (US$ 226,599,260) relating to the construction of a third production line at its plant. The total contract commitment is US$ 281,700,000 (SR 1,056,375,000), of which US$ 55,100,740 (SR 206,627,775) had been invoiced at December 31, 2011 and is included in construction in progress (see note 6).

20. EARNINGS PER SHARE

The weighted average number of shares in issue, taking into account the issue of bonus shares on November 21, 2011, was 121,900,000 for both the year ended December 31, 2011 and 2010.

21. SEGMENT INFORMATION

The Company is administered as one operating segment engaged in the production of cement and related products. The Company carries out its activities solely in the Kingdom of Saudi Arabia.

22. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT

Fair values of financial assets and liabilities:

The carrying book values of financial assets and liabilities are not materially different from their fair values at the balance sheet date.

Currency risk:

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies. The Company does not believe it is materiality exposed to currency risk as the majority of the Company's transactions and the balances are denominated in Saudi Riyals, or in US Dollars, which currency is fixed to the Saudi Riyal. Certain transactions are in Euros, but these are not material.

23. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (Continued)

"Interest rate" risk:

"Interest rate" risk arises from the possibility that changes in market "interest rates" will affect the value of "interest earning assets and interest bearing liabilities". The Company does not believe it is materially exposed to "interest rate" risk, as its only exposure is the Banque Saudi Fransi Loan which has a profit mark-up linked to RIBOR, and whilst movements in this rate can occur over the period of the loan they are not believed to be significant. Other funding is normally obtained on fixed commission rate terms.

Liquidity risk:

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately, or by breach of funding covenants. To mitigate this risk, management monitors the maturity profile of its financial assets and liabilities to ensure that adequate liquidity is maintained or made available, as necessary. It also ensures that funding covenants are complied with, or that financial institutions approve the waiver of a covenant breach should it occur. Accordingly, management does not believe that the Company is materially exposed to liquidity risk.

Credit risk:

The Company's credit risk is primarily attributable to its liquid funds and receivables. Cash balances are deposited with major banks with good credit standings. Whilst a small number of customers account for a significant proportion of both revenues and accounts receivable balances, these customers have all provided appropriate guarantees ensuring that their debt will be recoverable. All major customers are high profile customers within the Kingdom of Saudi Arabia and there is no reason to suggest that there will be a loss of customer from these sources. The amounts presented in the balance sheet are stated at net realizable value, estimated by the Company's management based on experience. Accordingly, the management does not believe that the Company is materially exposed to credit risk.

24. EVENTS AFTER THE BALANCE SHEET DATE

On January 7, 2012, the Company drew-down SR 19 million from its multi-purpose facility, repayable on March 7, 2012.

On January 14, 2012, the Company drew-down a further SR 13,127,775 from its main facilities agreement, so as to facilitate settlement of the outstanding amount due to the contractor of the 3rd production line and which remained outstanding as at December 31, 2011. Repayment of this loan is due on March 31, 2012, however, it is the Company's intention to roll-over this amount under the facility agreement.

25. PRIOR YEAR COMPARATIVES

Certain prior year comparatives have been reclassified so as to conform with the current year classification.

The re-statements relate to reclassification of expense advances from cash and cash equivalents to prepayments and other receivables, the reclassification of accrued trade quantity discounts from accrued expenses to accounts receivable, other reclassifications of liability balances and reclassification of amortization of SIDF evaluation fees to financial expenses (from cost of sales).

The statement of cash flows has been re-stated to reflect the effects of the balance sheet reclassifications referred to above, and the correction of net proceeds actually received on draw-down of the SIDF loan.

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