

Hail Cement Company
(A Saudi Joint Stock Company)

INTERIM FINANCIAL STATEMENTS

30 SEPTEMBER 2013

**LIMITED REVIEW REPORT
TO THE SHAREHOLDERS OF HAIL CEMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

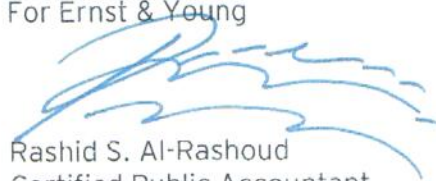
SCOPE:

We have reviewed the accompanying interim balance sheet of Hail Cement Company - A Saudi Joint Stock Company (the "Company") as at 30 September 2013, and the related interim statements of income for the three month and nine month periods ended 30 September 2013, and interim statements of cash flows and changes in shareholders' equity for the nine month period then ended. These interim financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION:

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

For Ernst & Young



Rashid S. Al-Rashoud
Certified Public Accountant
Registration No. 366



Riyadh: 18 Dhul-Hijjah 1434H
(23 October 2013)

Hail Cement Company
(A Saudi Joint Stock Company)

INTERIM BALANCE SHEET
As at 30 September 2013

	Notes	30 September 2013 (Unaudited) SR	31 December 2012 (Audited) SR	30 September 2012 (Unaudited) SR
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		128,471,379	67,804,014	155,468,871
Prepayments and other current assets		19,790,211	26,217,705	41,907,614
Inventory		48,091,506	2,085,759	-
Accounts receivable		161,736	-	-
TOTAL CURRENT ASSETS		196,514,832	96,107,478	197,376,485
NON-CURRENT ASSETS				
Projects in-progress	3	2,397,600	971,267,548	912,197,966
Fixed assets	3	1,110,304,845	46,848,308	8,383,967
Deferred expenses	7	23,131,179	601,892	-
TOTAL NON-CURRENT ASSETS		1,135,833,624	1,018,717,748	920,581,933
TOTAL ASSETS		1,332,348,456	1,114,825,226	1,117,958,418
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accruals		141,976,761	189,487,372	183,127,612
Accrued zakat		14,537,848	13,360,096	14,543,552
Advances from customers		1,651,810	-	-
TOTAL CURRENT LIABILITIES		158,166,419	202,847,468	197,671,164
NON-CURRENT LIABILITIES				
Employees' terminal benefits		1,347,743	700,213	536,964
Term loan	7	240,000,000	-	-
TOTAL NON-CURRENT LIABILITIES		241,347,743	700,213	536,964
TOTAL LIABILITIES		399,514,162	203,547,681	198,208,128
SHAREHOLDERS' EQUITY				
Share capital		979,000,000	979,000,000	979,000,000
Accumulated losses		(46,165,706)	(67,722,455)	(59,249,710)
TOTAL SHAREHOLDERS' EQUITY		932,834,294	911,277,545	919,750,290
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,332,348,456	1,114,825,226	1,117,958,418

The attached notes 1 to 9 form part of these interim financial statements

INTERIM STATEMENT OF INCOME (Unaudited)

	<i>For the three months period ended 30 September 2013</i>	<i>For the three months period ended 30 September 2012</i>	<i>For the nine months period ended 30 September 2013</i>	<i>For the nine months period ended 30 September 2012</i>
<i>Notes</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Sales	45,992,365	-	100,665,781	-
Cost of sales	(21,407,262)	-	(49,724,574)	-
GROSS PROFIT	24,585,103	-	50,941,207	-
EXPENSES				
Selling and distribution	(557,610)	-	(1,136,785)	-
General and administration	(7,275,053)	-	(14,616,830)	-
INCOME FROM MAIN OPERATIONS	16,752,440	-	35,187,592	-
Income from murabaha deposits	176,944	230,825	907,660	1,308,317
Other income	1,054,142	-	2,125,016	-
Pre-operating expenses	-	(5,972,930)	(13,801,799)	(16,763,642)
INCOME (LOSS) BEFORE ZAKAT	17,983,526	(5,742,105)	24,418,469	(15,455,325)
Zakat	(1,045,177)	2,353,514	(2,861,720)	(2,852,927)
NET INCOME (LOSS) FOR THE PERIOD	16,938,349	(3,388,591)	21,556,749	(18,308,252)
Earnings (Loss) per share:	5			
Attributable to income from main operations	0.17	-	0.36	-
Attributable to net income (loss) for the period	0.17	(0.03)	0.22	(0.19)





INTERIM STATEMENT OF CASH FLOWS (Unaudited)
For the nine months period ended 30 September 2013

	2013 SR	2012 SR
OPERATING ACTIVITIES		
Income (loss) before zakat	24,418,469	(15,455,325)
Adjustments for:		
Depreciation	30,540,353	371,535
Employees' terminal benefits, net	647,530	344,417
Amortization of deferred expenses	2,470,712	-
	<u>58,077,064</u>	<u>(14,739,373)</u>
Changes in operating assets and liabilities:		
Prepayments and other current assets	6,427,494	89,049,272
Inventory	(46,005,747)	-
Accounts receivable	(161,736)	-
Accounts payable and accruals	(47,510,611)	111,658,007
Advances from customers	1,651,810	-
	<u>(27,521,726)</u>	<u>185,967,906</u>
Cash (used in) from operations	(1,683,968)	(3,934,153)
Zakat paid	(29,205,694)	182,033,753
Net cash (used in) from operating activities	<u>(29,205,694)</u>	<u>182,033,753</u>
INVESTING ACTIVITIES		
Capital expenditure in projects in-progress	(1,424,469)	(665,257,788)
Purchase of fixed assets	(123,702,472)	(7,376,897)
	<u>(125,126,941)</u>	<u>(672,634,685)</u>
Net cash used in investing activities		
FINANCING ACTIVITY		
Net proceeds from term loan	215,000,000	-
Net cash from financing activity	<u>215,000,000</u>	<u>-</u>
 Increase (decrease) in cash and cash equivalents	 60,667,365	 (490,600,932)
Cash and cash equivalents at the beginning of the period	67,804,014	646,069,803
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>128,471,379</u></u>	<u><u>155,468,871</u></u>


Hail Cement Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

For the nine months period ended 30 September 2013

	<i>Share capital</i> <i>SR</i>	<i>Accumulated losses</i> <i>SR</i>	<i>Total</i> <i>SR</i>
Balance at 1 January 2012	979,000,000	(40,941,458)	938,058,542
Net loss for the period	-	(18,308,252)	(18,308,252)
Balance at 30 September 2012	<u>979,000,000</u>	<u>(59,249,710)</u>	<u>919,750,290</u>
Balance at 1 January 2013	979,000,000	(67,722,455)	911,277,545
Net income for the period	-	21,556,749	21,556,749
Balance at 30 September 2013	<u>979,000,000</u>	<u>(46,165,706)</u>	<u>932,834,294</u>





The attached notes 1 to 9 form part of these interim financial statements

1 ORGANISATION AND ACTIVITIES

Hail Cement Company (the "Company") is a Saudi Joint Stock Company, registered in Hail, Kingdom of Saudi Arabia. The Company has obtained an Industrial Investment License numbered 141931098717 dated 16 Ramadan 1431H (corresponding to 26 August 2010) from the Saudi Arabian General Investment Authority. The Company is registered under commercial registration number 3350026399 dated 24 Dhul Hijjah 1431H (corresponding to 30 November 2010). Furthermore, the Company has obtained a Ministerial Resolution number 384/G dated 24 Dhul Hijjah 1431H (corresponding to 30 November 2010) from the Ministry of Commerce and Industry. The Company is engaged in the production and distribution of all types of cements and trading in cement and building materials and their derivatives inside and outside the Kingdom of Saudi Arabia and the Company has the right to engage in all types of real estate contracts which it may need to achieve its objectives.

During the quarter ended 30 June 2013, the factory has been completed and the Company has started its commercial operations. Income earned and expenses incurred prior to the start of operations have been accounted for as pre-operating income and expenses

2 SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with the Saudi Organization for Certified Public Accountants Standard on Interim Financial Statements. This standard follows the integral view of interim periods which considers every period in the financial period as an integral part of the financial year. The accounting policies used in the preparation of the interim financial statements are consistent with those used in the preparation of annual financial statements for the period ended 31 December 2012.

The preparation of interim financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported balances of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of revenue and expenses during the period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at 31 December 2012. In the opinion of management, the interim financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented. The Company's interim results may not be indicative of its annual results.

The significant accounting policies adopted are as follows:

Accounting convention

The interim financial statements are prepared under the historical cost convention.

Cash and cash equivalents

For the purposes of the interim cash flow statement, cash and cash equivalents consist of bank balances, cash on hand, and murabaha deposits that have a maturity of three months or less when purchased.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and projects in progress

Fixed assets are stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value of fixed assets is depreciated on a straight line basis over the estimated useful lives of the assets.

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

Projects under progress are recorded based on the cost of material and services necessary to perform the project, in addition to salaries and other costs that can be specifically considered necessary for the preparation of project for its intended usage, and other indirect costs related to the project.

Financing costs

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

Accounts payable and accruals

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

Provisions

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

Zakat

Zakat is provided for in accordance with the rules of the Department of Zakat and Income Tax (DZIT). The provision, if any is charged to the interim statement of income.

Employees' terminal benefits

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

Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the income for the year after deducting losses brought forward has to be transferred to the statutory reserve until it has built up a reserve equal to one half of the capital.

Income from Murabaha deposits

Income from murabaha deposits is recognised when earned.

Pre-operating expenses

Expenses incurred by the Company after the incorporation stage up to the date of the commencement of commercial production are recognized as pre-operating expenses in the interim statement of income when incurred.

Operating lease

Operating lease payments are recognised as an expense in the interim statement of income on a straight line basis over the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

Revenues

Revenue represents the invoiced value of goods supplied and services rendered by the Company during the period. Revenue from sale of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Expenses

Production costs and direct and indirect expenses, attributable to production are classified at cost of sales. All other expense are classified as general and administration, selling and distribution expenses or other expenses, as appropriate.

Foreign currencies transactions

Transactions in foreign currencies are recorded in Saudi Riyals at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Gains and losses from settlement and translation of foreign currencies transactions are included in the interim statement of income.

Accounts receivable

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

30 September 2013

FIXED ASSETS AND PROJECTS IN PROGRESS

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

	Buildings 33 years	Machinery and equipments 5-20 years	Computer and office equipments 2 years	Motor vehicle 5-10 years	Leasehold improvements 5 years	Furniture and fixtures 5 years or lease period whichever is shorter		
	Buildings SR	Machinery and equipment SR	Computer and office equipments SR	Motor Vehicles SR	Leasehold improvements SR	Furniture and fixtures SR	Total 30 September 2013 SR (Unaudited)	Total 31 December 2012 SR (Audited)
Cost:								
At the beginning of the period	-	45,010,321	598,803	414,000	442,097	1,824,366	48,289,587	1,617,166
Additions	92,030,512	23,647,171	455,717	2,327,487	-	5,241,585	123,702,472	46,672,420
Transfer from projects in progress	71,575,199	896,431,219	-	-	-	2,288,000	970,294,418	-
At the end of the period	163,605,711	965,088,711	1,054,520	2,741,487	442,097	9,353,951	1,142,286,477	48,289,586
Depreciation:								
At the beginning of the period	-	661,346	151,244	134,749	175,908	318,032	1,441,279	238,561
Charge for the period	2,485,346	26,517,212	245,087	180,620	64,261	1,047,827	30,540,353	1,202,718
At the end of the period	2,485,346	27,178,558	396,331	315,369	240,169	1,365,859	31,981,632	1,441,279
Net book amounts:								
At 30 September 2013 (Unaudited)	161,120,365	937,910,153	658,189	2,426,118	201,928	7,988,092	1,110,304,845	
At 31 December 2012 (Audited)	-	44,348,975	447,559	279,251	266,189	1,506,334		46,848,308

- The construction of the cement factory was completed in the second quarter of 2013 and accordingly all such costs related to the construction of the cement factory was capitalized during the quarter ended 30 June 2013.
- The land on which buildings are constructed have been leased from the Ministry of Petroleum and Minerals for a period of 40 years. The mining license from the Ministry of Petroleum and Minerals confers the exclusive right to produce and exploit specified minerals in the licensed area. The total area is 46.4 sq.km. The rent is SR 10,000 per square kilometer per annum amounting to total of SR 470,000 per year and is being paid starting the date of the order issued by the Ministry.
- The projects in progress as at 30 September 2013 represents ERP Project under implementation.

Hail Cement Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited) (continued)
30 September 2013

4. PRE-OPERATING EXPENSES

	<i>For the three months period ended 30 September 2013</i>	<i>For the three months period ended 30 September 2012</i>	<i>For the nine months period ended 30 September 2013</i>	<i>For the nine months period ended 30 September 2012</i>
	SR	SR	SR	SR
Employees salary and other benefits	-	4,072,812	6,940,761	10,739,220
Commissioning expense	-	-	2,787,290	-
Depreciation	-	151,129	1,368,681	371,535
Professional fees	-	252,593	760,556	2,703,942
Travel and accommodation	-	581,637	322,822	1,342,548
Advertising	-	64,520	228,000	218,320
Vehicle	-	68,943	193,934	222,314
Recruitment	-	-	155,534	-
Rent	-	72,932	77,493	191,466
Bank charges	-	12,281	66,421	24,181
Others	-	696,083	900,307	950,116
	-	5,972,930	13,801,799	16,763,642

5. EARNINGS (LOSS) PER SHARE

Earnings (Loss) per share for the three month and nine month period ended 30 September 2013 and 2012 is calculated by dividing the income from main operations and net income (loss) for the period by the weighted average number of ordinary issued and outstanding shares of 97,900,000 during the period.

6. CONTINGENT LIABILITIES

The Company's banker has issued letters of credit amounting to SR 47.89 million in favour of Company's various suppliers and contractors and has issued letters of guarantee amounting to SR 13.72 million in favour of Customs Department for custom duties.

7. LOAN FACILITIES

On 28 Muharram 1434H corresponding to 12 December 2012, the Company has signed a loan agreement with Saudi Industrial Development Fund (SIDF) under number 2389 for an amount of SR 300 million. The loan is secured by the factory's assets built on the leased land from the Ministry of Petroleum and Mineral including all additions and expansions. The loan is payable on semi-annual instalments commencing on 8 December 2014, and ends on 25 February 2024. As at 30 September 2013, SR 240 million has been utilized.

Deferred charges represent fees and charges for obtaining the above loan from SIDF. Deferred charges related to the loan are amortized over the life of the loan.

Credit facilities were approved by a local bank to meet capital and operating expenditures of the Company. The total approved facilities of SR 166.70 million are available for utilization. The credit facilities carry a special commission rate of SIBOR plus a margin. The facility agreement includes certain covenants. The Company has utilized these facilities to issue letters of credit to different suppliers and contractors and letters of guarantee to the Customs Department for customs duties.

8. SEGMENTAL INFORMATION

The Company is engaged in the production and sale of only one type of cement and there are no other activities. The Company's operations are solely in the Kingdom of Saudi Arabia.

9. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the Board of Directors on 18 Dhul-Hijjah 1434H (corresponding to 23 October 2013)