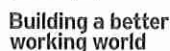


Hail Cement Company
(A Saudi Joint Stock Company)

INTERIM FINANCIAL STATEMENTS

31 MARCH 2014



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SCOPE:

We have reviewed the accompanying interim balance sheet of Hail Cement Company - A Saudi Joint Stock Company (the "Company") as at 31 March 2014, and the related interim statements of income, cash flows and changes in shareholders' equity for the three 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: 15 Jumada Al Thani 1435H
(15 April 2014)

Hail Cement Company
(A Saudi Joint Stock Company)

INTERIM BALANCE SHEET

	Note	31 March 2014 (Unaudited) SR	31 December 2013 (Audited) SR	31 March 2013 (Unaudited) SR
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		77,278,368	98,183,122	178,907,225
Accounts receivable and prepayments		29,025,170	17,341,538	25,942,601
Inventory		85,641,617	73,771,828	9,343,140
TOTAL CURRENT ASSETS		191,945,155	189,296,488	214,192,966
NON-CURRENT ASSETS				
Projects in-progress		-	-	996,012,036
Fixed assets	4	1,110,941,732	1,122,148,047	46,844,040
Deferred charges	8	21,882,074	22,842,844	24,087,570
TOTAL NON-CURRENT ASSETS		1,132,823,806	1,144,990,891	1,066,943,646
TOTAL ASSETS		1,324,768,961	1,334,287,379	1,281,136,612
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accruals		72,187,415	114,208,800	130,650,055
Provision for zakat		13,016,988	14,714,544	12,231,390
Current portion of term loan		5,000,000	5,000,000	-
Advances from customers		799,054	2,035,978	-
TOTAL CURRENT LIABILITIES		91,003,457	135,959,322	142,881,445
NON-CURRENT LIABILITIES				
Term loan	8	235,000,000	235,000,000	240,000,000
Employees' terminal benefits		1,919,988	1,583,343	905,383
TOTAL NON-CURRENT LIABILITIES		236,919,988	236,583,343	240,905,383
TOTAL LIABILITIES		327,923,445	372,542,665	383,786,828
SHAREHOLDERS' EQUITY				
Share capital		979,000,000	979,000,000	979,000,000
Retained earnings (Accumulated losses)		17,845,516	(17,255,286)	(81,650,216)
TOTAL SHAREHOLDERS' EQUITY		996,845,516	961,744,714	897,349,784
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,324,768,961	1,334,287,379	1,281,136,612

Hail Cement Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME (Unaudited)

		<i>For the three month period ended 31 March 2014 SR</i>	<i>For the three month period ended 31 March 2013 SR</i>
	<i>Notes</i>		
Sales		83,479,222	-
Cost of sales		(39,249,425)	-
GROSS PROFIT		44,229,797	-
EXPENSES			
Selling and distribution		(772,430)	-
General and administration		(7,157,348)	-
INCOME FROM MAIN OPERATIONS		36,300,019	-
Income from murabaha deposits		127,067	429,301
Other income		42,851	-
Pre-operating expenses	5	-	(13,801,799)
INCOME (LOSS) BEFORE ZAKAT		36,469,937	(13,372,498)
Zakat		(1,369,135)	(555,263)
NET INCOME (LOSS) FOR THE PERIOD		35,100,802	(13,927,761)
Earnings (Loss) per share:	6		
Attributable to income from main operations		0.37	-
Attributable to net income (loss) for the period		0.36	(0.14)



Hail Cement Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS (Unaudited)
For the three month period ended 31 March 2014

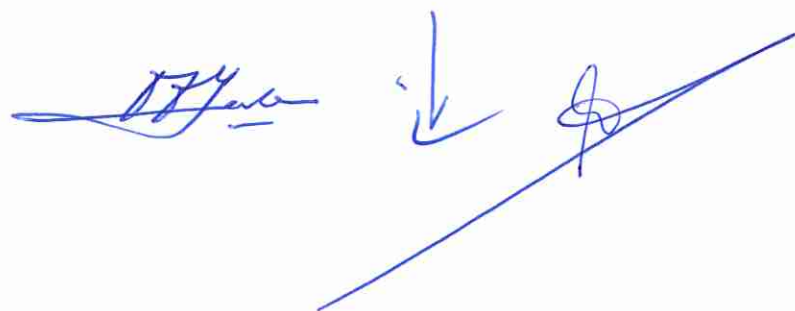
	2014 SR	2013 SR
OPERATING ACTIVITIES		
Income (loss) before zakat	36,469,937	(13,372,498)
Adjustments for:		
Depreciation	15,839,665	1,368,681
Employees' terminal benefits, net	336,645	205,170
Amortization of deferred charges	960,770	740,605
	<u>53,607,017</u>	<u>(11,058,042)</u>
Changes in operating assets and liabilities:		
Accounts receivable and prepayments	(11,683,632)	2,358,437
Inventory	(11,869,789)	(7,257,381)
Accounts payable and accruals	(42,021,385)	(58,837,317)
Advances from customers	(1,236,924)	-
Deferred expenses	-	(1,309,616)
	<u>(13,204,713)</u>	<u>(76,103,919)</u>
Cash used in operations		
Zakat paid	(3,066,691)	(1,683,969)
	<u>(16,271,404)</u>	<u>(77,787,888)</u>
Net cash used in operating activities		
INVESTING ACTIVITIES		
Capital expenditure in projects in-progress	-	(24,744,488)
Purchase of fixed assets	(4,633,350)	(1,364,413)
	<u>(4,633,350)</u>	<u>(26,108,901)</u>
Net cash used in investing activities		
FINANCING ACTIVITY		
Proceeds from term loan	-	240,000,000
Deferred expense from term loan	-	(25,000,000)
	<u>-</u>	<u>215,000,000</u>
Net cash from financing activity		
(Decrease) increase in cash and cash equivalents	(20,904,754)	111,103,211
Cash and cash equivalents at the beginning of the period	98,183,122	67,804,014
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>77,278,368</u>	<u>178,907,225</u>

The block contains three handwritten signatures in blue ink. The first signature is on the left, the second is in the middle, and the third is on the right. A large, bold blue checkmark is drawn across the bottom of the signatures.

Hail Cement Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)
For the three month period ended 31 March 2014

	<i>Share capital</i> <i>SR</i>	<i>(Accumulated losses)/ Retained earnings</i> <i>SR</i>	<i>Total</i> <i>SR</i>
Balance at 1 January 2013	979,000,000	(67,722,455)	911,277,545
Net loss for the period	-	(13,927,761)	(13,927,761)
Balance at 31 March 2013	<u>979,000,000</u>	<u>(81,650,216)</u>	<u>897,349,784</u>
Balance at 1 January 2014	979,000,000	(17,255,286)	961,744,714
Net income for the period	-	35,100,802	35,100,802
Balance at 31 March 2014	<u>979,000,000</u>	<u>17,845,516</u>	<u>996,845,516</u>



Hail Cement Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)

31 March 2014

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.

2 BASIS OF PRESENTATION

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

3 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 2013.

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 2013. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Inventories

Inventories are stated at the lower of cost and market value. Costs are those expenses incurred in bringing each product to its present location and condition and calculated on the following basis:

- | | |
|---|--|
| Raw materials, consumables and spares parts | - purchase cost on a weighted average basis |
| Work in progress and finished goods | - cost of direct materials and labour plus attributable overheads based on a normal level of activity. |

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.

Leasehold improvements are amortised on a straight-line basis over the shorter of the useful life of the improvements, or the term of the lease.

Expenditure for repair and maintenance are charged to the income as incurred. Improvements that increase the value or materially extend the life of the related assets are capitalized.

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.

Other intangible assets/amortisation

Costs which have a long term future benefits are treated as other intangible assets and are amortised over the estimated period of benefit.

The carrying values of other intangible 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 their value in use. The excess of carrying value over the estimated recoverable amount is charged to the interim statement of income.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and un-collectability of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the interim statement of income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the interim statement of income.
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- (c) For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

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.

Loans and borrowings

Loans and borrowings are recognised at the proceeds received value by the company.

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.

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.

Income from Murabaha deposits

Income from murabaha deposits is recognised when earned.

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.

Hail Cement Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited) (continued)

31 March 2014

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

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.

Hail Cement Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited) (continued)
31 March 2014

4 FIXED ASSETS AND PROJECTS IN PROGRESS

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

Buildings	30 years	Computer and office equipment	2 years	Leasehold improvements	5 years or lease period whichever is shorter
Machinery and equipment	5-20 years	Motor vehicle	5-10 years	Furniture and fixtures	5 years
Computer Software	5 years				

	Buildings SR	Machinery and equipment SR	Computer and office equipment SR	Computer Software SR	Motor Vehicles SR	Leasehold improvements SR	Furniture and fixtures SR	Total 31 March 2014 SR (Unaudited)	Total 31 December 2013 SR (Audited)
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Cost:

At the beginning of the period	169,747,284	971,901,332	3,604,132	5,046,520	5,662,697	442,097	13,577,287	1,169,981,349	48,289,587
Additions	2,098,964	613,002	263,528	57,904	167,400	-	1,432,552	4,633,350	150,424,214
Transfer from projects in progress	-	-	-	-	-	-	-	-	971,267,545

At the end of the period	171,846,248	972,514,334	3,867,660	5,104,424	5,830,097	442,097	15,009,839	1,174,614,699	1,169,981,345
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Depreciation:

At the beginning of the period	3,797,982	39,968,425	534,322	323,076	736,362	260,319	2,212,816	47,833,302	1,441,273
Charge for the period	1,769,518	12,659,734	236,241	253,383	155,065	19,927	745,797	15,839,665	46,392,023

At the end of the period	5,567,500	52,628,159	770,563	576,459	891,427	280,246	2,958,613	63,672,967	47,833,307
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Net book amounts:

At 31 March 2014 (Unaudited)	166,278,748	919,886,175	3,097,097	4,527,965	4,938,670	161,851	12,051,226	1,110,941,732	
At 31 December 2013 (Audited)	165,949,302	931,932,907	3,069,810	4,723,444	4,926,335	181,778	11,364,471		1,122,148,047

- 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 were 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 30 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 factory building and machinery and equipment are mortgaged to the Saudi Industrial Development Fund (SIDF) as security against the term loan.

Hail Cement Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited) (continued)
31 March 2014

5 PRE-OPERATING EXPENSES

	<i>For the three months period ended 31 March 2014 SR</i>	<i>For the three months period ended 31 March 2013 SR</i>
Employees salary and other benefits	-	6,940,761
Commissioning expense	-	2,787,290
Depreciation	-	1,368,681
Professional fees	-	760,556
Travel and accommodation	-	322,822
Advertising	-	228,000
Vehicle	-	193,934
Recruitment	-	155,534
Rent	-	77,493
Bank charges	-	66,421
Others	-	900,307
	-	13,801,799

6 EARNINGS (LOSS) PER SHARE

Earnings (Loss) per share for the three month period ended 31 March 2014 and 2013 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.

7 CONTINGENT LIABILITIES

The Company's banker has issued letters of credit amounting to SR 12.41 million in favour of Company's various suppliers and contractors and has issued letters of guarantee amounting to SR 3.14 million in favour of Customs Department for custom duties.

8 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 31 March 2014, 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.

Hail Cement Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited) (continued)

31 March 2014

9 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.

10 APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the Board of Directors on 15 Jumada Al Thani 1435H (corresponding to 15 April 2014)