

**Hail Cement Company
(A Saudi Joint Stock Company)**

INTERIM FINANCIAL STATEMENTS

30 JUNE 2012

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 June 2012, and the related interim statements of income for the three month and six month periods ended 30 June 2012, and interim statements of cash flows and changes in shareholders' equity for the six 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.

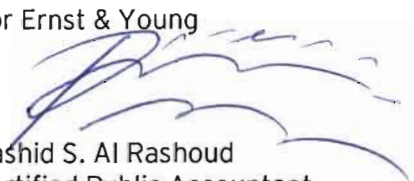
EXPLANATORY PARAGRAPH:

As explained in Note 3, these interim financial statements do not include comparative information as required by the generally accepted accounting principles in the Kingdom of Saudi Arabia.

CONCLUSION:

Based on our limited review, except for the omission of the comparative information described in the preceding paragraph, 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



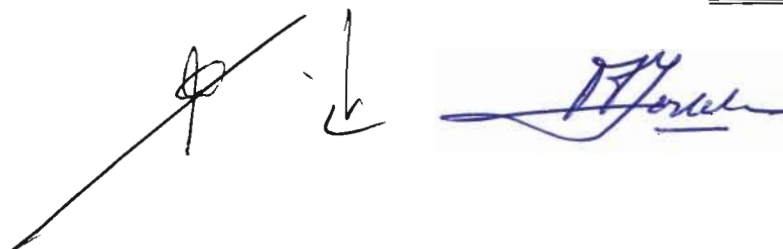
Rashid S. Al Rashoud
Certified Public Accountant
Registration No. 366



Riyadh: 25 Sha'ban 1433H
(15 July 2012)

Hail Cement Company
(A Saudi Joint Stock Company)
INTERIM BALANCE SHEET (Unaudited)
As at 30 June 2012

	Notes	SR
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		260,468,711
Prepayments and other current assets		70,863,962
TOTAL CURRENT ASSETS		331,332,673
NON-CURRENT ASSETS		
Projects in-progress	4	746,734,643
Fixed assets	5	1,405,612
TOTAL NON-CURRENT ASSETS		748,140,255
TOTAL ASSETS		1,079,472,928
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accruals		139,042,291
Accrued zakat		16,897,066
TOTAL CURRENT LIABILITIES		155,939,357
NON-CURRENT LIABILITY		
Employees' terminal benefits		394,690
TOTAL LIABILITIES		156,334,047
SHAREHOLDERS' EQUITY		
Share capital	6	979,000,000
Accumulated losses		(55,861,119)
TOTAL SHAREHOLDERS' EQUITY		923,138,881
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,079,472,928



Hail Cement Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME (Unaudited)

For the three and six month periods ended 30 June 2012

	Notes	For the three month period ended 30 June 2012 SR	For the six month period ended 30 June 2012 SR
Income from Murabaha deposits		474,542	1,077,492
Pre-operating expenses	7	(6,257,081)	(10,790,712)
LOSS BEFORE ZAKAT		(5,782,539)	(9,713,220)
Zakat		(2,813,325)	(5,206,441)
NET LOSS FOR THE PERIOD		(8,595,864)	(14,919,661)
Loss per share	8	(0.09)	(0.15)

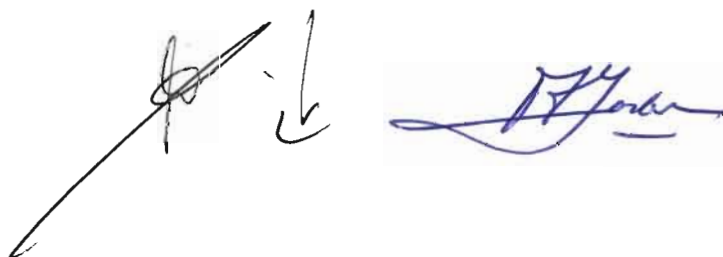
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Hail Cement Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS (Unaudited)

For the six month period ended 30 June 2012

	SR
PRE-OPERATING ACTIVITIES	
Loss before zakat	(9,713,220)
Adjustments for:	
Depreciation	220,406
Provision for employees' terminal benefits, net	202,143
	(9,290,671)
Changes in pre-operating assets and liabilities:	
Prepayments and other current assets	60,092,924
Accounts payable and accruals	67,572,686
Cash from pre-operating activities	118,374,939
Zakat paid	(3,934,153)
Net cash from pre-operating activities	114,440,786
INVESTING ACTIVITIES	
Projects in-progress	(499,794,465)
Purchase of fixed assets	(247,413)
Net cash used in investing activities	(500,041,878)
Decrease in cash and cash equivalents	(385,601,092)
Cash and cash equivalents as at 1 January	646,069,803
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	260,468,711

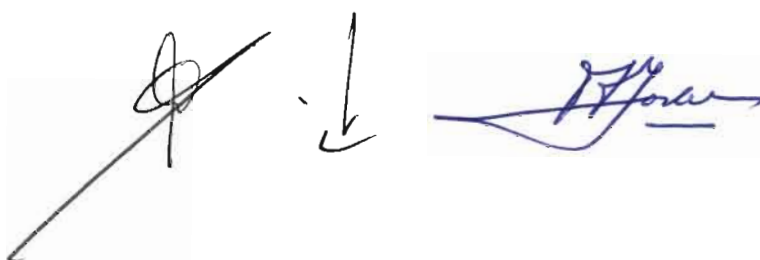


The attached notes 1 to 11 form part of these interim financial statements

Hail Cement Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)
For the six month period ended 30 June 2012

	<i>Share capital</i> SR	<i>Accumulated losses</i> SR	<i>Total</i> SR
Balance at 31 December 2011	979,000,000	(40,941,458)	938,058,542
Net loss for the period	-	(14,919,661)	(14,919,661)
Balance at 30 June 2012	979,000,000	(55,861,119)	923,138,881



Hail Cement Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)

30 June 2012

1 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. The Company is currently in its pre-operating phase and the operations are expected to commence on the completion of the cement factory which is expected to be ready during the first quarter of 2013.

As approved by the Capital Market Authority, the Company offered for sale in its Initial Public Offering 48,950,000 shares representing fifty per cent (50 %) of the issued share capital of the Company. The shares of the Company commenced trading on the Saudi Stock Exchange on 16 October 2011.

2 BASIS OF PRESENTATION

The Company did not start its operations during the period. Income earned and expenses incurred during the period is accounted for as income and pre-operating 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 2011.

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 2011. 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 Company did not prepare the interim financial statements for the period ended 30 June 2011, as the Company was not required to prepare and publish its interim financial statements for the period then ended by the Capital Market Authority.

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 statement of cash flow, cash and cash equivalents consist of bank balances, cash on hand, and murabaha deposits that have maturities of three months or less when purchased.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets

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.

Accruals and other payables

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 interim 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. In view of the losses incurred by the Company no such transfer is made.

Income from Murabaha deposits

Income from murabaha deposits is recognised as it accrues.

Pre-operating expenses

Expenses incurred by the Company after the incorporation stage up to the date of the commencement of the 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.

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. No segment reporting is disclosed by the Company, since it is still in the pre-operating stage.

Financing costs

Financing costs that are directly attributable to the construction of an asset are capitalised up to 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

Hail Cement Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited) (continued)
30 June 2012

4 PROJECTS IN PROGRESS

The projects in progress represent costs incurred for the construction of the cement factory in Hail. It is expected that the construction of the cement factory will be completed in the first quarter of 2013. The land on which the factory is being constructed on, is leased from the Ministry of Petroleum and Minerals for a period of 30 years. The mining license from the Ministry of Petroleum and Minerals dated 7 Rajab 1433 (corresponding to 28 May 2012) confers the exclusive right to produce and exploit specified minerals in the licensed area. The total area is 46.519 sq.km. The rent is SR 10,000 per square kilometer per annum amounting to total of SR 470,000 per year and the same is paid by the Company on 5 Rajab 1433 (corresponding to 26 May 2012).

The Company has entered into a lump sum contract with Chengdu Design and Research Institute of Building Materials Industry Company Limited, China ("CDI"), for engineering, supply, construction, erection and implementation of a Green field cement plant on turn-key basis with a nominal capacity of 5,000 tpd OPC/SRC Clinker. The contract value is SR 751,440,000 of which SR 258,715,062 is a capital commitment as at 30 June 2012.

The Company has also entered into a contract with Wartsila Power Contracting Company ("Wartsila") to supply the engineering, equipment and construction for a power plant. This power plant will provide electricity for the Company's own use. The contract value is SR 200,000,000 of which SR 59,929,111 is a capital commitment as at 30 June 2012.

The Company has also entered into a contract with Teberak Trading and Contracting Company and Mo B. Company to construct an employee housing project in Hail. The contract value is SR 117,780,850 of which SR 71,127,796 is a capital commitment as at 30 June 2012.

Projects in progress also include an amount of SR 6,733,739 which represents commission charged by the bank for issuing letters of credit in favor of CDI and Wartsila (see note 10).

5 FIXED ASSETS

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

Computers and office equipment	2 years
Motor vehicle	5 years
Leasehold improvements	5 years or the period of lease, whichever is shorter
Furniture & Fixtures	5 years

	<i>Computers and office equipment</i> SR	<i>Motor vehicle</i> SR	<i>Leasehold improvements</i> SR	<i>Furniture and fixtures</i> SR	<i>2012 Total</i> SR
<i>Cost</i>					
At the beginning of the period	149,668	414,000	399,682	653,816	1,617,166
Additions during the period	26,108	-	38,025	183,280	247,413
At the end of the period	175,776	414,000	437,707	837,096	1,864,579
<i>Depreciation:</i>					
At the beginning of the period	40,589	51,722	59,788	86,462	238,561
Charges for the period	41,019	41,286	64,706	73,395	220,406
	81,608	93,008	124,494	159,857	458,967
Net book value:					
At 30 June 2012	94,168	320,992	313,213	677,239	1,405,612

Hail Cement Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited) (continued)
30 June 2012

6 SHARE CAPITAL

The authorised, issued and paid up share capital consists of 97.9 million shares of SR 10 each.

7 PRE-OPERATING EXPENSES

	<i>For the three month period ended 30 June 2012 SR</i>	<i>For the six month period ended 30 June 2012 SR</i>
Employees salary and other benefits	4,267,505	6,592,760
Professional fees	1,090,384	2,451,349
Travel and accommodation	444,785	760,911
Advertising	32,680	153,800
Vehicle	57,044	153,371
Depreciation (note 5)	126,883	220,406
Rent	70,729	118,534
Recruitment	46,100	73,648
Bank charges	6,590	11,900
Others	114,381	254,033
	<u>6,257,081</u>	<u>10,790,712</u>

8 LOSS PER SHARE

Loss per share is calculated by dividing the net loss for the period by the weighted average number of ordinary shares of 97,900,000 outstanding during the period. The Company does not have any operations and hence loss per share from operations has not been disclosed.

9 CONTINGENCIES

The Company's banker has issued letters of credit amounting to SR 164 million in favour of CDI and Wartsila for engineering supplies and erection and Zahid Tractor for supply of heavy equipments (see notes 4 and 10) and letter of guarantee amounting to SR 38 million in favour of the Saudi Customs Department.

10 BANK FACILITIES

Loan facilities were approved by a local bank to meet capital and operating expenditures of the Company. The total approved facilities of SR 501 million is available for utilisation. The loan facilities carry a special commission rate of SIBOR plus a margin. The loan agreement includes certain covenants. The Company has utilised these facilities to issue letter of credits to CDI and Wartsila for engineering and supplies and to Zahid Tractor for supply of heavy equipments amounting to SR 164 million and letters of guarantee to the Saudi Customs Department amounting to SR 38 million (see note 9).

On 9 Jumada Awwal 1433H (corresponding to 1 April 2012), Saudi Industrial Development Fund approved a loan to the Company amounting to SR 300 million subject to amendment of the Company's industrial licence from the Saudi Arabian General Investment Authority and obtaining the site licence from the Ministry of Petroleum and Minerals and is guaranteed by pledging projects in-progress and all project's fixed assets.

11 APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the Board of Directors on 25 Shabaan 1433H (corresponding to 15 July 2012).