

Hail Cement Company
(A Saudi Joint Stock Company)

INTERIM FINANCIAL STATEMENTS

30 SEPTEMBER 2014

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

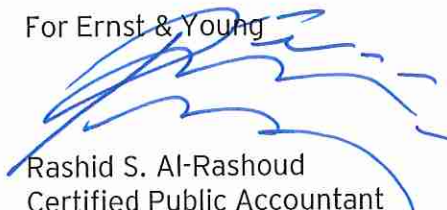
SCOPE:

We have reviewed the accompanying interim balance sheet of Hail Cement Company - A Saudi Joint Stock Company (the "Company") as at 30 September 2014, and the related interim statement of income for the three and nine month periods ended 30 September 2014 and the 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: 28 Dhul-Hijjah 1435H
(22 October 2014)

Hail Cement Company
(A Saudi Joint Stock Company)
INTERIM BALANCE SHEET (UNAUDITED)

	Note	30 September 2014 (Unaudited) SR	31 December 2013 (Audited) SR	30 September 2013 (Unaudited) SR
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		152,538,838	98,183,122	128,471,379
Accounts receivable and prepayments		50,124,634	15,258,205	18,733,594
Inventory		92,423,539	73,771,828	48,091,506
TOTAL CURRENT ASSETS		295,087,011	187,213,155	195,296,479
NON-CURRENT ASSETS				
Fixed assets	4	1,082,907,875	1,122,148,047	1,112,702,445
Deferred charges		809,349	1,922,982	1,218,353
TOTAL NON-CURRENT ASSETS		1,083,717,224	1,124,071,029	1,113,920,798
TOTAL ASSETS		1,378,804,235	1,311,284,184	1,309,217,277
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accruals		73,269,235	114,208,800	141,976,761
Provision for zakat		4,000,113	14,714,544	14,537,848
Current portion of term loan	8	7,916,667	2,916,667	-
Advances from customers		1,568,639	2,035,978	1,651,810
TOTAL CURRENT LIABILITIES		86,754,654	133,875,989	158,166,419
NON-CURRENT LIABILITIES				
Term loan	8	270,649,056	214,080,138	216,868,821
Employees' terminal benefits		2,403,580	1,583,343	1,347,743
TOTAL NON-CURRENT LIABILITIES		273,052,636	215,663,481	218,216,564
TOTAL LIABILITIES		359,807,290	349,539,470	376,382,983
SHAREHOLDERS' EQUITY				
Share capital		979,000,000	979,000,000	979,000,000
Retained earnings (Accumulated losses)		39,996,945	(17,255,286)	(46,165,706)
TOTAL SHAREHOLDERS' EQUITY		1,018,996,945	961,744,714	932,834,294
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,378,804,235	1,311,284,184	1,309,217,277

Hail Cement Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME (UNAUDITED)

	<i>For the three month period ended 30 September 2014</i>	<i>For the three month period ended 30 September 2013</i>	<i>For the nine month period ended 30 September 2014</i>	<i>For the nine month period ended 30 September 2013</i>
Note	SR	SR	SR	SR
Sales	79,775,140	45,992,365	263,961,724	100,665,781
Cost of sales	(47,447,271)	(21,407,262)	(132,805,871)	(49,724,574)
GROSS PROFIT	32,327,869	24,585,103	131,155,853	50,941,207
EXPENSES				
Selling and distribution	(710,307)	(557,610)	(2,334,197)	(1,136,785)
General and administration	(6,142,182)	(7,275,053)	(19,405,210)	(14,616,830)
INCOME FROM MAIN OPERATIONS	25,475,380	16,752,440	109,416,446	35,187,592
Income from murabaha deposits	212,017	176,944	548,131	907,660
Other income	164,356	1,054,142	306,789	2,125,016
Pre-operating expenses	5 -	-	-	(13,801,799)
INCOME BEFORE ZAKAT	25,851,753	17,983,526	110,271,366	24,418,469
Zakat	(750,000)	(1,045,177)	(4,069,135)	(2,861,720)
NET INCOME FOR THE PERIOD	25,101,753	16,938,349	106,202,231	21,556,749
Earnings per share:	6			
Attributable to income from main operations	0.26	0.17	1.12	0.36
Attributable to net income for the period	0.26	0.17	1.08	0.22

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Hail Cement Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine month period ended 30 September 2014

	2014 SR	2013 SR
OPERATING ACTIVITIES		
Income before zakat	110,271,366	24,418,469
Adjustments for:		
Depreciation	47,527,061	30,540,353
Employees' terminal benefits, net	820,237	647,530
Amortization of deferred charges	2,682,551	2,470,712
	<u>161,301,215</u>	<u>58,077,064</u>
Changes in operating assets and liabilities:		
Accounts receivable and prepayments	(34,866,429)	6,265,758
Accounts payable and accruals	(41,196,310)	(47,510,611)
Inventory	(18,651,711)	(46,005,747)
Advances from customers	(467,339)	1,651,810
	<u>66,119,426</u>	<u>(27,521,726)</u>
Cash from (used) in operations		
Zakat paid	(14,783,566)	(1,683,968)
	<u>51,335,860</u>	<u>(29,205,694)</u>
Net cash from (used) in operating activities		
INVESTING ACTIVITIES		
Capital expenditure in projects in-progress	-	(1,424,469)
Purchase of fixed assets	(8,286,889)	(123,702,472)
	<u>(8,286,889)</u>	<u>(125,126,941)</u>
Net cash used in investing activities		
FINANCING ACTIVITIES		
Proceeds from term loan	60,000,000	215,000,000
Dividends paid	(48,693,255)	-
	<u>11,306,745</u>	<u>215,000,000</u>
Net cash from financing activities		
INCREASE IN CASH AND CASH EQUIVALENTS	<u>54,355,716</u>	<u>60,667,365</u>
Cash and cash equivalents at the beginning of the period	<u>98,183,122</u>	<u>67,804,014</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>152,538,838</u></u>	<u><u>128,471,379</u></u>

Hail Cement Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the nine month period ended 30 September 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 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>
Balance at 1 January 2014	979,000,000	(17,255,286)	961,744,714
Net income for the period	-	106,202,231	106,202,231
Interim dividends (Note 10)	-	(48,950,000)	(48,950,000)
Balance at 30 September 2014	<u>979,000,000</u>	<u>39,996,945</u>	<u>1,018,996,945</u>



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Hail Cement Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

30 September 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.

Hail Cement Company
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)
30 September 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
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)
30 September 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 vehicles	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 30 Sep 2014 SR (Unaudited)	Total 31 December 2013 SR (Audited)
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Cost:

At the beginning of the period/year	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	3,858,369	1,449,813	365,942	57,904	167,400	-	2,387,461	8,286,889	150,424,214
Transfer from projects in progress	-	-	-	-	-	-	-	-	971,267,548

At the end of the period/year	173,605,653	973,351,145	3,970,074	5,104,424	5,830,097	442,097	15,964,748	1,178,268,238	1,169,981,349
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Depreciation:

At the beginning of the period/year	3,797,982	39,968,425	534,322	323,076	736,362	260,319	2,212,816	47,833,302	1,441,279
Charge for the period/year	4,675,812	38,431,475	745,067	769,401	476,518	60,444	2,368,344	47,527,061	46,392,023

At the end of the period/year	8,473,794	78,399,900	1,279,389	1,092,477	1,212,880	320,763	4,581,160	95,360,363	47,833,302
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Net book amounts:

At 30 September 2014 (Unaudited)	165,131,859	894,951,245	2,690,685	4,011,947	4,617,217	121,334	11,383,588	1,082,907,875	
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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
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- 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 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)
30 September 2014

5 PRE-OPERATING EXPENSES

	<i>For the three months period ended 30 September 2014 SR</i>	<i>For the three months period ended 30 September 2013 SR</i>	<i>For the nine months period ended 30 September 2014 SR</i>	<i>For the nine months period ended 30 September 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
	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,801,799</u>

6 EARNINGS PER SHARE

Earnings per share for the three month and nine month periods ended 30 September 2014 and 2013 is calculated by dividing the income from main operations and net income 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 10.73 million in favour of Company's various suppliers and contractors and has issued letters of guarantee amounting to SR 2.70 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 30 September 2014, full amount of SR 300 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 90.31 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)
30 September 2014

8 LOAN FACILITIES (continued)

	<i>30 September 2014 Unaudited</i>	<i>31 December 2013 Audited</i>	<i>30 September 2013 Unaudited</i>
Current portion of term loan	10,000,000	5,000,000	-
Less:- Current portion of deferred finance cost	(2,083,333)	(2,083,333)	-
	<u>7,916,667</u>	<u>2,916,667</u>	<u>-</u>
Non-current portion of term loan	290,000,000	235,000,000	240,000,000
Less:- Non -current portion of deferred finance cost	(19,350,944)	(20,919,862)	(23,131,179)
	<u>270,649,056</u>	<u>214,080,138</u>	<u>216,868,821</u>

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 INTERIM DIVIDENDS

The Company's Board of directors on 16 Ramadan 1435H (corresponding to 13 July 2014) resolved to distribute interim cash dividends of SR 0.5 for each outstanding share amounting to SR 48.95 million. The interim dividend is paid to those shareholders whose names were on the register of shares as of 25 Ramadan 1435H (corresponding to 22 July 2014) and was subsequently paid on 21 Shawwal 1435H (corresponding to 17 August 2014)

11 COMPARATIVE INFORMATION

Certain of the prior period / year amounts have been reclassified to conform to the presentation in the current period.

12 APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the Board of Directors on 28 Dhul-Hijjah 1435H (corresponding to 22 October 2014).