

**LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF
ZAMIL INDUSTRIAL INVESTMENT COMPANY
(SAUDI JOINT STOCK COMPANY)**

Scope of limited review:

We have reviewed the accompanying interim consolidated balance sheet of Zamil Industrial Investment Company (Saudi Joint Stock Company) ("the parent company") and its subsidiaries (collectively referred to as "the group") as at 30 June 2011, the related interim consolidated statement of income for the three months and six months and the interim consolidated statement of cash flows for the six months period then ended. These interim consolidated financial statements have been prepared by the parent company 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). The 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 of limited review:

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

for Ernst & Young

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Certified Public Accountant
Registration No.339

17 Sha'ban 1432 H
18 July 2011

Alkhobar





INTERIM CONSOLIDATED STATEMENT OF INCOME (Un audited)

All Figures in SAR '000

Particulars	2010	2011	2010	2011
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun
Net Sales	1,078,268	1,325,210	2,005,355	2,291,927
Cost of Sales	835,550	1,044,173	1,541,136	1,790,066
Gross Profit	242,718	281,037	464,219	501,861
Less Expenses				
Selling & Distribution Exp.	88,704	101,583	161,554	189,742
Administration & Engineering Exp.	75,417	95,929	146,947	168,962
Profit from main operations	78,597	83,525	155,718	143,157
Other Income	8,422	6,947	10,372	9,606
Company's share in results of associates, net	4,921	2,026	6,334	3,598
Financial charges	(13,944)	(20,578)	(28,259)	(35,424)
Minority Interest + Tax	(7,516)	(18,242)	(13,268)	(25,947)
Profit before Zakat	70,480	53,678	130,897	94,990
Zakat	7,470	5,750	12,840	10,307
Net Profit	63,010	47,928	118,057	84,683
Earnings Per Share (from net profit)	1.05	0.80	1.97	1.41
EPS for Continuing Main Operations	1.31	1.39	2.60	2.39

INTERIM CONSOLIDATED BALANCE SHEET (Un audited)

Particulars	as at	as at
	30.06.2010	30.06.2011
Assets		
Current Assets		
Cash and cash equivalents	377,074	230,861
Notes, accounts receivable and prepayments	1,336,143	1,785,168
Inventories	1,462,934	1,854,668
Amounts due from related parties & affiliates	76,590	69,131
Total Current Assets	3,252,741	3,939,828
Non-Current Assets		
Investments	320,853	293,274
Property, plant and equipment	1,078,017	1,385,391
Deferred charges	19,995	11,691
Goodwill	27,730	27,730
Other intangible assets	-	107,732
Total Non-Current Assets	1,446,595	1,825,818
Total Assets	4,699,336	5,765,646
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes & Accounts payable, accruals & provisions	841,598	925,952
Amounts due to related parties & affiliates	6,309	5,548
Advances from customers	253,199	252,231
Morabaha and tawarruq finances	1,048,530	1,936,858
Short term loans	44,542	44,936
Current portion of term loans	242,159	243,686
Total Current Liabilities	2,436,337	3,409,211
Non-Current Liabilities		
S I D F loans	98,973	71,029
Other long term loans	642,753	438,150
Employee's terminal benefits	174,840	244,798
Total Non-Current Liabilities	916,566	753,977
Total Liabilities	3,352,903	4,163,188
Shareholder's Equity		
Share capital	600,000	600,000
Statutory reserve	159,729	177,504
Retained earnings	495,154	563,139
Unrealized (loss)/gain on investments	(2,291)	831
Translation loss on consolidation	(9,959)	(16,635)
	1,242,633	1,324,839
Minority interests	103,800	277,619
Total Shareholders' Equity	1,346,433	1,602,458
Total Liabilities and Shareholders' Equity	4,699,336	5,765,646

INTERIM CONSOLIDATED CASH FLOW (Un audited)

Particulars	period ended	period ended
	30.06.2010	30.06.2011
From Operations		
Net profit	118,057	84,683
Depreciation	52,448	68,594
Zakat Provision	12,840	10,307
Loss on Disposal of Property, plant and equipment	87	103
Company's share in results of associates, net	(6,334)	(3,598)
Minority Interest	9,764	24,336
Amortisation of Deferred Charges	2,344	1,174
Inventories	47,420	(179,545)
Receivables	4,236	(325,838)
Payables & Accruals	(66,736)	(35,777)
End of Service Benefits, net	15,403	21,378
Zakat & Taxes Paid	(21,466)	(6,042)
Net cash from/(used in) operating activities	168,063	(340,225)
INVESTING ACTIVITIES		
Purchase of Property, Plant and equipment	(46,951)	(91,459)
Acquisition of assets related to subsidiary	-	(120,922)
Proceeds from sale of property, plant and equipment	59	503
Investments	(71,186)	(31,318)
Other intangible assets	-	(73,184)
Deferred Charges	-	(1,000)
Cash used in Investing activities	(118,078)	(317,380)
FINANCING ACTIVITIES		
Changes in Short Term loans, Morabaha & Tawarruq finances	76,213	577,817
Changes in Term Loans	(37,930)	(53,593)
Dividends Paid	(67,500)	(45,000)
Changes in Minority Interest	1,020	112,682
Cash (used in)/from financing activities	(28,197)	591,906
Increase (decrease) in cash and cash equivalents	21,788	(65,699)
Cash and Cash Equivalents at January 1	353,878	299,361
Movement in translation, net	1,408	(2,801)
Cash and Cash Equivalents at June 30	377,074	230,861

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

At 30 June 2011

1. STATUS AND ACTIVITIES

Zamil Industrial Investment Company (“the parent company”) was established as a Saudi Joint Stock Company in accordance with Ministerial Resolution 407 dated 14.3.1419H (corresponding to 8 July 1998). The parent company and its subsidiaries (collectively referred to as “the group”) are engaged in the manufacturing, marketing and maintenance of air conditioners, steel industry and glass industry. The parent company has main branches in Dammam: Zamil Air Conditioners, Zamil Steel Industries and Zamil Glass Industries and subsidiaries in Saudi Arabia, Egypt, Vietnam, Austria, Italy, India, China and United Arab Emirates.

Pursuant to the board of directors’ meeting of Rabiah and Nassar & Zamil Concrete Industrial Co. Ltd. (“RANCO”), the parent company assumed the control of RANCO effective from 1 January 2011. Accordingly, it has been consolidated in these interim consolidated financial statements (Previously: considered as an associate).

The share capital of the parent company, amounting to SR 600 million, is divided into 60 million shares of SR 10 each.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available for sale investments. The group adopts the following accounting policies:

Interim period results

The group has made all necessary adjustments which are important to present fairly in all material respects the interim consolidated financial position and interim results of operations. The interim consolidated financial results may not be considered an indicative of the actual results for the whole year.

Basis of consolidation

Operating entities controlled by the parent company are classified as subsidiaries and consolidated regardless of the country of their registration. Significant inter-company accounts and transactions are eliminated upon consolidation. Subsidiaries under formation are accounted for at cost.

Use of estimate

The preparation of interim consolidated financial statements in conformity with generally accepted accounting principles requires the 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 interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Sales

Net sales represent the invoiced value of goods supplied (air conditions, steel buildings, glass and fibreglass) which are delivered to customers during the period. Contract revenue is recognized based on percentage of work executed.

Inventories

Inventories are stated at the lower of cost and market value. Cost is determined as follows:

Raw materials	-	Purchase cost on weighted average basis.
Work in process and finished goods	-	Cost of direct materials and labour plus attributable overheads based on normal level of activity.

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

At 30 June 2011

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Deferred charges

Expenses which have a long term future benefit are treated as deferred charges and are amortised over the estimated periods of benefit not exceeding five years.

Expenses

Selling and distribution expenses are those that specifically relate to salesmen, warehousing, delivery vehicles as well as provision for doubtful debts. All other expenses other than financial charges are classified as general and administration expenses.

Property, plant and equipment/depreciation

All property, plant and equipment are recorded at cost. Freehold land and capital work in progress are not depreciated. Depreciation is provided on other property, plant and equipment at rates calculated to write off the cost of each asset over its expected useful life.

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

Employees' terminal benefits

Provision is made for amounts payable under the employment contracts applicable to employees' accumulated periods of service at the balance sheet date.

Foreign subsidiaries make provision in accordance with the laws of countries in which subsidiaries operate.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate 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 interim consolidated balance sheet date. All differences are taken to the interim consolidated statement of income, except for translation differences which are recorded as a separate component of consolidated shareholders' equity at the interim consolidated balance sheet date.

Investments

Investments in marketable equity securities are classified according to the group's intent with respect to those securities. Marketable equity securities held to maturity are stated at amortized cost, adjusted for the related premium or discount. Marketable equity securities held for trading are stated at fair value and unrealized gains and losses thereon are included in the interim consolidated statement of income. Marketable equity securities available for sale are stated at fair value and unrealized gains and losses thereon are included in interim consolidated shareholders' equity. Where the fair value is not readily determinable, such marketable equity securities are stated at cost less allowance for impairment in value.

Income from the investments in marketable equity securities is recognized when dividends are received.

An associate is an enterprise over which the group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee. The results of associates are incorporated in these interim consolidated financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognize any impairment in the value of the individual investments.

Subsidiaries and associates which are dormant or under development stage or where the information is not available are stated at cost.

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

At 30 June 2011

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Other intangible assets

Other intangible assets measured at cost being the excess of the considerations paid over the parent company's share of the book value of the net assets of the acquired subsidiaries. The parent company is still in the process of allocating the excess funds paid to acquire the subsidiaries on the related tangible and intangible assets. The process is expected to be finalised during 2012.

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is charged to the consolidated statement of income. Additional amounts, if any, that become due on finalisation of assessment are accounted for in the period in which assessment is finalised.

The zakat provision for the interim period is calculated based on the estimated zakat provision for the whole year. The difference between the provision made during the interim period and the actual provision for the period based on detailed zakat calculation for the year is accounted for at year end.

Segmental reporting

A segment is a distinguishable component of the group 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.

Earnings per share

Basic earnings per share from net income is calculated by dividing the net income for the period by the weighted average number of shares outstanding at the end of the period. Basic earnings per share from main operations is calculated by dividing income from main operations for the period by the weighted average of number of shares outstanding during the period.

Impairment

At each balance sheet date, the group reviews the carrying amounts of its property, plant and equipment and its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group 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. Impairment losses are recognized as an expense immediately.

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) -
continued
At 30 June 2011

3. SEGMENTAL ANALYSIS

(a) Analysis of sales, income/(loss) from main operations and net assets by activity:

	Sales SR 000		Income/ (loss) from main operations SR 000		Net assets SR 000	
	30 June 2011 (unaudited)	30 June 2010 (unaudited)	30 June 2011 (unaudited)	30 June 2010 (unaudited)	30 June 2011 (unaudited)	30 June 2010 (unaudited)
Air conditioner industry	896,629	798,550	75,224	68,604	357,965	253,978
Steel industry	1,143,266	1,118,032	34,089	73,223	773,155	703,115
Glass & fibreglass	170,208	88,773	27,437	17,851	152,819	111,953
Concrete	81,824	-	8,769	-	69,192	-
Head office	-	-	(2,362)	(3,960)	(28,292)	173,587
	2,291,927	2,005,355	143,157	155,718	1,324,839	1,242,633

(b) Analysis of sales, and income/(loss) from main operations by geographical location:

	Sales SR 000		Income (loss) from main operations SR 000	
	30 June 2011 (unaudited)	30 June 2010 (unaudited)	30 June 2011 (unaudited)	30 June 2010 (unaudited)
Saudi Arabia:				
Local sales	1,438,944	1,188,209	110,078	110,321
Export sales	448,907	399,708	27,272	37,008
Other Asian countries	221,567	218,537	4,278	(5,462)
Africa	138,701	166,174	(431)	12,839
Europe	43,808	32,727	1,960	1,012
	2,291,927	2,005,355	143,157	155,718

4. CONTINGENT LIABILITIES

At 30 June 2011, the group has outstanding bank guarantees amounting to SR 849 million (30 June 2010: SR 763 million) issued during the normal course of the business.

5. COMPARATIVE FIGURES

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