

**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 31 March 2011, the related interim consolidated statements of income for the three months period ended on 31 March 2011 and the interim consolidated statements of cash flows for the three months period ended on 31 March 2011. These interim consolidated financial statements are the responsibility of the group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our review was limited and was conducted in accordance with Saudi Organisation of Certified Public Accountants (SOCPA) standard on interim financial information. The limited review consists principally of analytical procedures applied to financial data and inquiries of the group's personnel responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion on 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 these to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No.339

12 Jumada Awal 1432H
16 April 2011

Alkhobar





INTERIM CONSOLIDATED STATEMENT OF INCOME (Un audited)

All Figures in SAR '000

Particulars	2010 Jan-Mar	2011 Jan-Mar
Net Sales	927,087	966,717
Cost of Sales	705,586	745,893
Gross Profit	221,501	220,824
Less Expenses		
Selling & Distribution Exp.	72,850	88,159
Administration & Engineering Exp.	71,530	73,033
Profit from main operations	77,121	59,632
Other Income	1,950	2,659
Company's share of profits in associates, net	1,413	1,572
Financial charges	(14,315)	(14,846)
Minority Interest + Tax	(5,752)	(7,705)
Net Profit before Zakat	60,417	41,312
Zakat	5,370	4,557
Net Profit after Zakat	55,047	36,755
Earnings Per Share	0.92	0.61
EPS for Continuing Main Operations	1.29	0.99

INTERIM CONSOLIDATED BALANCE SHEET (Un audited)

Particulars	as at 31.03.2010	as at 31.03.2011
Assets		
Current Assets		
Cash and cash equivalents	411,309	315,646
Notes, accounts receivable and prepayments	1,185,458	1,465,983
Inventories	1,472,070	1,786,879
Amounts due from related parties & affiliates	107,053	74,541
Total Current Assets	3,175,890	3,643,049
Non-Current Assets		
Investments	315,494	260,663
Property, plant and equipment	1,087,992	1,243,176
Deferred charges	21,373	12,632
Goodwill	27,730	62,278
Total Non-Current Assets	1,452,589	1,578,749
Total Assets	4,628,479	5,221,798
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes & Accounts payable, accruals & provisions	853,453	869,897
Amounts due to related parties & affiliates	6,457	16,811
Advances from customers	286,713	286,438
Morabaha and tawarruq finances	898,100	1,534,106
Short term loans	46,832	36,744
Current portion of term loans	241,123	243,683
Proposed dividends	67,500	45,000
Total Current Liabilities	2,400,178	3,032,679
Non-Current Liabilities		
S I D F loans	81,773	68,099
Other long term loans	694,267	465,726
Employee's terminal benefits	166,269	230,740
Total Non-Current Liabilities	942,309	764,565
Total Liabilities	3,342,487	3,797,244
Shareholder's Equity		
Share capital	600,000	600,000
Statutory reserve	153,428	172,712
Retained earnings	438,445	520,003
Unrealized gain on investments	2,308	1,564
Translation loss on consolidation	(4,952)	(17,067)
	1,189,229	1,277,212
Minority interests	96,763	147,342
Total Shareholders' Equity	1,285,992	1,424,554
Total Liabilities and Shareholders' Equity	4,628,479	5,221,798

INTERIM CONSOLIDATED CASH FLOW (Un audited)

Particulars	period ended 31.03.2010	period ended 31.03.2011
From Operations		
Profit after Zakat	55,047	36,755
Depreciation	26,866	30,621
Zakat Provision	5,370	4,557
Loss on Disposal of Property, plant and equipment	83	(1)
Company's share of profits in associates, net	(1,413)	(1,572)
Minority Interest	3,747	6,741
Amortisation of Deferred Charges	982	742
Inventories	38,284	(111,756)
Receivables	124,458	(12,579)
Payables & Accruals	(35,215)	(70,091)
End of Service Benefits, net	6,832	7,320
Zakat & Taxes Paid	-	-
Net cash from/(used in) operating activities	225,041	(109,263)
INVESTING ACTIVITIES		
Purchase of Property, Plant and equipment	(26,438)	(31,630)
Proceeds from sale of property, plant and equipment	34	91
Investments	(66,149)	-
Deferred Charges	-	(1,000)
Cash used in Investing activities	(92,553)	(32,539)
FINANCING ACTIVITIES		
Changes in Short Term loans, Morabaha & Tawarruq finances	(71,927)	166,873
Changes in Term Loans	(4,652)	(5,513)
Changes in Minority Interest	-	-
Cash (used in)/from financing activities	(76,579)	161,360
Increase in bank balances and cash	55,909	19,558
Cash and Cash Equivalents at January 1	353,878	299,361
Movement in translation, net	1,522	(3,273)
Cash and Cash Equivalents at March 31	411,309	315,646

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 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 - continued

At 31 March 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 - continued

At 31 March 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.

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 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 - continued

At 31 March 2011

3. SEGMENTAL ANALYSIS**(a) Analysis of sales, operating income/(loss) and net assets by activities:**

	Sales SR 000		Operating Income/ (loss) SR 000		Net assets SR 000	
	31 March 2011 (unaudited)	31 March 2010 (unaudited)	31 March 2011 (unaudited)	31 March 2010 (unaudited)	31 March 2011 (unaudited)	31 March 2010 (unaudited)
Air conditioner industry	348,740	337,701	32,443	32,141	372,971	302,232
Steel industry	531,703	545,520	15,419	40,066	793,276	793,285
Glass & fibreglass	45,026	43,866	8,244	8,395	121,023	107,438
Concrete	41,248	-	4,385	-	32,718	-
Head office	-	-	(859)	(3,481)	(42,776)	(13,726)
	966,717	927,087	59,632	77,121	1,277,212	1,189,229

(b) Analysis of sales, and operating income/(loss) by geographical location:

	Sales SR 000		Operating income (loss) SR 000	
	31 March 2011 (unaudited)	31 March 2010 (unaudited)	31 March 2011 (unaudited)	31 March 2010 (unaudited)
Saudi Arabia:				
Local sales	597,807	553,493	47,590	53,688
Export sales	194,865	197,601	11,666	18,903
Other Asian countries	92,785	81,924	(399)	(4,507)
Africa	61,698	78,665	(643)	8,516
Europe	19,562	15,404	1,418	521
	966,717	927,087	59,632	77,121

4. CONTINGENT LIABILITIES

At 31 March 2011, the group has outstanding bank guarantees amounting to SR 645 million (31 March 2010: SR 568 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.