

**Zamil Industrial Investment Company (Saudi
Joint Stock Company) and its Subsidiaries**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UN-AUDITED) AND AUDITORS' LIMITED REVIEW
REPORT**

30 SEPTEMBER 2015

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

Scope of limited review:

We have reviewed the accompanying consolidated interim balance sheet of Zamil Industrial Investment Company (Saudi Joint Stock Company) (the "Company") and its Subsidiaries (collectively referred to as the "Group") as at 30 September 2015 and the related consolidated interim statement of income for three and nine months periods then ended and the consolidated interim statement of cash flows for the nine months period then ended. These consolidated interim financial statements have been prepared by the Group's management 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 consolidated interim financial statements for them 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



6 Muharram 1437H
19 October 2015
Alkhobar

Zamil Industrial Investment Company (Saudi Joint Stock Company) and its
Subsidiaries

CONSOLIDATED INTERIM BALANCE SHEET (UN-AUDITED)
As at 30 September 2015

	<i>Note</i>	<i>2015</i> <i>SR '000'</i>	<i>2014</i> <i>SR '000'</i>
ASSETS			
CURRENT ASSETS			
Bank balances and cash		294,474	285,010
Accounts receivable and notes receivable		1,699,456	1,618,834
Advances, other receivables and prepayments		440,074	406,814
Value of work executed in excess of billings		125,078	207,896
Amounts due from related parties		53,993	43,872
Current portion of net investment in finance lease		19,694	18,877
Inventories		1,711,491	1,712,921
TOTAL CURRENT ASSETS		4,344,260	4,294,224
NON-CURRENT ASSETS			
Amounts due from an associated company		33,850	-
Net investment in finance lease		410,765	430,460
Available for sale investments		46,586	46,586
Investment in associated companies		161,809	124,939
Property, plant and equipment		1,406,131	1,585,894
Deferred charges		18,643	13,534
Goodwill		110,706	158,543
TOTAL NON-CURRENT ASSETS		2,188,490	2,359,956
TOTAL ASSETS		6,532,750	6,654,180
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Notes and accounts payable, accruals and provisions		1,036,938	985,071
Billings in excess of value of work executed		62,096	93,261
Amounts due to related parties		11,139	12,367
Advance from customers		379,026	386,239
Zakat and income tax provisions		50,534	39,316
Murabaha and tawarruq finance		1,910,048	2,070,131
Short term loans		127,925	110,002
Current portion of term loans		132,450	157,320
TOTAL CURRENT LIABILITIES		3,710,156	3,853,707
NON-CURRENT LIABILITIES			
Term loans		381,079	502,746
Employees' terminal benefits		350,521	332,783
TOTAL NON-CURRENT LIABILITIES		731,600	835,529
TOTAL LIABILITIES		4,441,756	4,689,236

The attached notes form an integral part of these consolidated interim financial statements.

Zamil Industrial Investment Company (Saudi Joint Stock Company) and its Subsidiaries

CONSOLIDATED INTERIM BALANCE SHEET (UN-AUDITED) - (Continued)
As at 30 September 2015

	<i>Note</i>	<i>2015</i> <i>SR '000'</i>	<i>2014</i> <i>SR '000'</i>
SHAREHOLDERS' EQUITY			
Share capital	4	600,000	600,000
Statutory reserve		254,170	247,678
Retained earnings		984,383	843,898
Foreign currency translation reserve		(16,839)	(11,023)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		1,821,714	1,680,553
NON CONTROLLING INTEREST		269,280	284,391
TOTAL SHAREHOLDERS' EQUITY		2,090,994	1,964,944
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,532,750	6,654,180

The attached notes form an integral part of these consolidated interim financial statements.

Zamil Industrial Investment Company (Saudi Joint Stock Company) and its
Subsidiaries

CONSOLIDATED INTERIM STATEMENT OF INCOME (UN-AUDITED)

For the three and nine months periods ended 30 September 2015

	Note	For the three months period ended 30 September		For the nine months period ended 30 September	
		2015 SR '000'	2014 SR '000'	2015 SR '000'	2014 SR '000'
REVENUES					
Sales revenue		1,183,493	1,171,640	3,586,535	3,605,304
Contracts revenues		154,812	119,041	449,528	364,246
		<u>1,338,305</u>	<u>1,290,681</u>	<u>4,036,063</u>	<u>3,969,550</u>
DIRECT COSTS					
Cost of sales revenues		(926,441)	(918,279)	(2,738,796)	(2,849,511)
Contracts costs		(103,826)	(60,716)	(366,549)	(186,747)
		<u>(1,030,267)</u>	<u>(978,995)</u>	<u>(3,105,345)</u>	<u>(3,036,258)</u>
GROSS PROFIT		308,038	311,686	930,718	933,292
EXPENSES					
Selling and distribution		(115,065)	(130,483)	(344,440)	(368,707)
General and administration		(106,756)	(91,495)	(305,322)	(278,608)
		<u>86,217</u>	<u>89,708</u>	<u>280,956</u>	<u>285,977</u>
INCOME FROM MAIN OPERATIONS		86,217	89,708	280,956	285,977
Other (expenses)/income, net		(5,739)	(1,004)	11,819	8,052
Financial charges		(19,964)	(20,740)	(55,462)	(60,611)
		<u>60,514</u>	<u>67,964</u>	<u>237,313</u>	<u>233,418</u>
INCOME BEFORE SHARE IN RESULTS OF ASSOCIATED COMPANIES, NON CONTROLLING INTEREST AND ZAKAT AND FOREIGN INCOME TAX		60,514	67,964	237,313	233,418
Share in net results of associated companies		1,295	780	2,148	2,673
		<u>61,809</u>	<u>68,744</u>	<u>239,461</u>	<u>236,091</u>
INCOME BEFORE NON CONTROLLING INTEREST AND ZAKAT AND FOREIGN INCOME TAX		61,809	68,744	239,461	236,091
Non controlling interest		(1,001)	(5,895)	(14,065)	(12,252)
		<u>60,808</u>	<u>62,849</u>	<u>225,396</u>	<u>223,839</u>
INCOME BEFORE ZAKAT AND FOREIGN INCOME TAX		60,808	62,849	225,396	223,839
Foreign income taxes		(245)	(752)	(2,449)	(7,466)
Zakat		(3,105)	(5,703)	(17,394)	(20,957)
		<u>57,458</u>	<u>56,394</u>	<u>205,553</u>	<u>195,416</u>
NET INCOME FOR THE PERIOD		57,458	56,394	205,553	195,416
<u>EARNINGS PER SHARE FOR THE PERIOD:</u>					
Attributable to main operations		1.44	1.50	4.68	4.77
Attributable to net income		0.96	0.94	3.43	3.26
Weighted average number of shares outstanding (thousand shares)	4	60,000	60,000	60,000	60,000

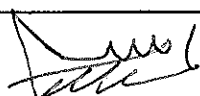
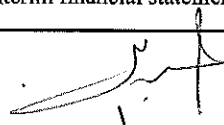
The attached notes form an integral part of these consolidated interim financial statements.

Zamil Industrial Investment Company (Saudi Joint Stock Company) and its
Subsidiaries

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
For the nine months period ended 30 September 2015

	<i>Nine months period ended 30 September</i>	
	<i>2015 SR '000'</i>	<i>2014 SR '000'</i>
OPERATING ACTIVITIES		
Income before share of non controlling interest, zakat and foreign income tax	239,461	236,091
Adjustments for:		
Depreciation	119,464	115,428
Amortisation	2,283	1,876
Employees' terminal benefits, net	29,590	22,158
Financial charges	55,462	60,611
(Gain)/loss on sale of property, plant and equipment	(443)	1,282
Share of results of associated companies	(2,148)	(2,673)
	443,669	434,773
Changes in operating assets and liabilities:		
Net investments in finance lease	14,233	13,642
Receivables	(121,366)	(3,017)
Inventories	(114,220)	237,813
Payables	66,609	(57,092)
Cash from operations	288,925	626,119
Financial charges paid	(55,462)	(60,611)
Foreign income tax and zakat paid	(12,946)	(39,766)
Net cash from operating activities	220,517	525,742
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(116,639)	(97,901)
Proceeds from sale of property, plant and equipment	1,064	1,062
Net cash used in investing activities	(115,575)	(96,839)
FINANCING ACTIVITIES		
Dividends paid	(120,000)	(120,000)
Net movement in murabaha and tawarruq finance	26,989	(681,770)
Net movement in short term loans	17,536	29,109
Net movement in term loans	(46,849)	360,996
Net cash used in financing activities	(122,324)	(411,665)
(DECREASE)/INCREASE IN BANK BALANCES AND CASH	(17,382)	17,238
Bank balances and cash at the beginning of the period	309,721	268,557
Movement in translation reserve, net	2,135	(785)
BANK BALANCES AND CASH AT THE END OF THE PERIOD	294,474	285,010
SUPPLEMENTAL NON-CASH TRANSACTIONS:		
Foreign exchange loss on property, plant and equipment	6,407	2,620
Directors remuneration not paid during the period	1,500	-
Foreign exchange loss on investment in associated companies	587	-

The attached notes form an integral part of these consolidated interim financial statements.

Zamil Industrial Investment Company (Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

At 30 September 2015

1 ACTIVITIES

Zamil industrial investment company (the "Company") is a Saudi Joint Stock Company formed in accordance with the Ministerial Resolution number 407 dated 14 Rabi'a I 1419H (corresponding to 8 July 1998). Prior to that the Company was operating as a limited company under the name of Zamil Steel Buildings Company Limited. The Company is registered in Saudi Arabia, under Commercial Registration number 2050004215, dated 19 Ramadan 1396 (corresponding to 14 September 1976). The Company have the following subsidiaries (collectively referred to as "Subsidiaries"):

	Effective ownership percentage	
	2015	2014
- Universal Building System limited - Jersey	100%	100%
- Zamil Steel Holding Company - Saudi Arabia	100%	100%
- Zamil Steel pre-engineered building Company - Saudi Arabia	100%	100%
- Zamil Structural Steel Company - Saudi Arabia	100%	100%
- Zamil Tower and Galvanizing Company - Saudi Arabia	100%	100%
- Zamil process equipment Company - Saudi Arabia	100%	100%
- Zamil Air Conditioners and Household Appliances - Saudi Arabia	100%	100%
- Zamil Central Air Conditioners - Saudi Arabia	100%	100%
- Zamil Air Conditioners Holding Company - Saudi Arabia	100%	100%
- Zamil Air Conditioners and Refrigerating Services - Saudi Arabia	100%	100%
- Zamil Steel Building Company - Egypt	100%	100%
- Zamil Steel Buildings (shanghai) Company Limited - china	100%	100%
- Cooling Europe Holdings GmbH- Austria	100%	100%
- Clima Tech air conditioners GmbH - Austria	100%	100%
- Zamil Steel Buildings India Private Limited	100%	100%
- Zamil Steel Engineering India Private Limited	100%	100%
- Arabian Stonewool Insulation Company - Saudi Arabia	100%	100%
- Ikhtebar Company - Saudi Arabia	100%	100%
- Zamil Energy Services Company (ZESCO) - Saudi Arabia	100%	100%
- Zamil Industrial Investment Company, Emirates	100%	100%
- Zamil Steel Industries Abu Dhabi (LLC) - UAE	100%	100%
- Zamil Steel Buildings (Thailand) Co. Ltd.	100%	100%
- Al Zamil Steel Construction Company - Saudi Arabia	100%	100%
- Zamil Structural Steel Company - Egypt	100%	100%
- Zamil construction India PVT. Ltd.	100%	100%
- Buildings Components Solutions Company - Saudi Arabia	100%	100%
- Zamil Information Technology Global Private Limited - India	100%	100%
- Zamil Higher Institute for Industrial Training Company - Saudi Arabia	100%	100%
- Second Insulation Company Limited - Saudi Arabia	100%	100%
- Eastern District Cooling Company Limited	100%	100%
- Zamil Air Conditioners India Private Limited - India	100%	100%
- Saudi Central Energy Company Limited (Note A)	100%	50%
- Gulf Insulation Group	51%	51%
-Saudi Rockwool Factory Company - Saudi Arabia	51%	51%
-First Insulation Company - Saudi Arabia	51%	51%
-Arabian Fiberglass Insulation Co. Ltd - Saudi Arabia	51%	51%
- Zamil Steel Buildings- Vietnam Limited Company	92.27%	92.27%
- Middle East Air Conditioners Company Limited - Saudi Arabia	51%	51%
- Zamil Hudson Company Limited - Saudi Arabia	50%	50%
- Petro- Chem Zamil Company Limited- Saudi Arabia	50%	50%
- Saudi Preinsulated Pipes Industries Company Limited	51%	51%
- Zamil Industrial Investment Company Asia Ple. Ltd - Singapore	100%	100%
- Al-Zamil for Inspection and Maintenance of Industrial Projects Company - Saudi Arabia	100%	100%
- Rabiah Nasser and Zamil Concrete Industrial Co. Ltd - Saudi Arabia (RANCO)- (Note B)	50%	50%

Zamil Industrial Investment Company (Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

(Continued)

At 30 September 2015

1 ACTIVITIES (continued)

The Company and its Subsidiaries listed above (collectively referred to as the "Group") are engaged in design and engineering, manufacturing and fabrication of construction materials, pre-engineering steel buildings, steel structures, air conditions and climate control systems for commercial, industrial and residential applications, telecom and transmutation towers, process equipment, fiberglass, rockwool and engineering plastic foam insulation, and solar power projects.

Notes:

- A- Effective 1 January 2014, the Group acquired the remaining 50% of Saudi Central Energy Company Limited. Effective the same date, the Group consolidated 100% of this subsidiary results without showing minority interest. Legal formalities in respect of this transaction have not been completed as of the interim consolidated interim balance sheet date.
- B- On 1 October 2014, the Company lost its control over RANCO which was maintained through its designated managing director. Accordingly, RANCO had been deconsolidated effective the same date and has been presented as an associated company.

2 BASIS OF PREPARATION

These consolidated interim financial statements include the interim financial statements of the Group. Subsidiaries are consolidated from the date the Group obtains control until such time as control ceases. Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The interim financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-Group balances, transactions, income and expenses and profit and loss resulting from intra-Group transactions that are recognised as assets, are eliminated in full.

3 SIGNIFICANT ACCOUNTING POLICIES

These consolidated interim financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

These consolidated interim financial statements are prepared under the historical cost convention.

Use of estimates

The preparation of consolidated interim 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 financial statements and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision 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 when there is no possibility of recovery.

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 is calculated on the following basis:

Raw materials	-	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.

Zamil Industrial Investment Company (Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

(Continued)

At 30 September 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Net investment in finance lease

Leases in which the Group transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee are classified as finance leases. A receivable is recognised at an amount equal to present value of the lease payments which is included in the consolidated interim financial statements as "net investment in finance lease".

Available for sale investments

These represent investments in shares of quoted and unquoted companies which are neither bought with the intention of being held to maturity nor for trading purposes. These are stated at fair value. The individual investment is classified under either current or non-current assets based on the managements' intention to dispose of the investments within one year from the consolidated interim balance sheet date or later, respectively. Changes in fair value are credited or charged to the shareholders' equity. Where there is objective evidence that investments may be impaired, the estimated recoverable amount of those investments is determined and any impairment loss for the difference between the recoverable amount and the carrying amount is recognised in the consolidated interim statement of income.

Cost of partial sales of investments is calculated using the weighted average method.

Investments in associated companies

Investment in associated companies where the Group has significant influence over the investees financial and operational decisions, normally where the Group own stake between 20% to 50% of the share capital of the investee company, are accounted for using the equity method. No share in result is accounted during the formation stage of the associated companies.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Freehold land and construction work in progress are not depreciated. The cost of other property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

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

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

Deferred charges

Expenses which have a long term future benefit are treated as deferred charges and are amortized over the estimated period of benefit.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost being the excess of the consideration transferred over fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated interim statement of income.

Zamil Industrial Investment Company (Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

(Continued)

At 30 September 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or Groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or Groups of units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed off and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the consolidated interim statement of income.

Impairment of non-current assets

At each consolidated balance sheet date, the Group reviews the carrying values of its non-current assets other than goodwill to determine whether there is any indication that those assets have suffered impairment. If such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of impairment (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.

The carrying value of the asset (or cash generating unit) is reduced to the recoverable value when the recoverable value is below the carrying value. Impairment loss is recognized as expense when incurred.

Goodwill is tested for impairment at least annually, by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Where an impairment loss subsequently reverses, the carrying value of the asset (cash generating unit) other than goodwill 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. The reversal of impairment loss other than goodwill is recognized as income once identified.

Impairment and uncollectibility of financial assets

An assessment is made at each consolidated balance sheet date to determine whether there is an objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated 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 recognised in the consolidated 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 amortised cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group.

Provisions

Provision is made when the Group has an obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and can be measured reliably.

Zamil Industrial Investment Company (Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

(Continued)

At 30 September 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Warranties

Amounts are accrued on an estimated basis to meet possible future costs under warranty commitments and are included under notes and accounts payables, accruals and provisions in the consolidated interim balance sheet.

Zakat and foreign income tax

The Group is subject to zakat regulations in the Kingdom of Saudi Arabia. Foreign income tax is also provided for in accordance with foreign fiscal authorities in which the Group's foreign subsidiaries operate. Zakat and income tax are provided on an accrual basis. Additional amounts, if any, that may become due on finalization of the zakat and income tax status are recorded once identified. The zakat and foreign income tax charge in the consolidated interim statement of income represents the zakat for the Company, the Company's share of zakat in subsidiaries and foreign income tax for foreign subsidiaries. The zakat charge and income tax, assessable on the non-controlling shareholders, is included in non-controlling interest.

Employees' terminal benefits

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

Statutory reserve

As required by Saudi Arabian Regulations for Companies, the Company must set aside 10% of its net income until it has built up a reserve equal to one half of the capital. The reserve is not available for distribution. The reserve allocation is done on annual basis on the consolidated balance sheet date.

Revenue recognition

Sales revenue

Sales revenue represent the invoiced value of goods supplied and services rendered by the Group upon delivery to customers, net of deductions. Service revenue related to change orders is recognised and invoiced upon acceptance of the related services by customers.

Contracting revenue

Revenue on long term service contracts, where the outcome can be reliably estimated, is recognised under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. The value of work executed but not billed at the interim consolidated balance sheet date is classified as "value of work executed in excess of billings" under current assets. Amounts billed in excess of work executed at the interim consolidated balance sheet date are classified as "billings in excess of the value of work executed" under current liabilities. Profit is not recognised on a contract until the management believes that the outcome of that contract can be assessed with reasonable degree of certainty. In the case of loss making contracts full provision is made for the estimated future losses.

For contracts where the outcome cannot be assessed with reasonable degree of certainty, the contracts revenue is recognised using the completed contracts method, in which revenue is recognised to the extent of cost incurred on each contract and profit is recognised only at the completion of the contract.

Expenses

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

Foreign currencies

Transaction

Transactions in foreign currencies are recorded in Saudi Riyals in case of entities registered in Saudi Arabia and in foreign currencies in case of the subsidiaries registered in other countries, at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at these consolidated interim balance sheet date. All differences are taken to the consolidated interim statement of income.

Zamil Industrial Investment Company (Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

(Continued)

At 30 September 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Translation

Financial statements of foreign operations are translated in to Saudi Riyals using the exchange rate at each consolidated interim balance sheet date, for assets and liabilities, and average exchange rate for each period for revenues, expenses, gains and losses. Components of equity other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments are recorded as a separate component in shareholders' equity.

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

Earnings per share attributable to 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.

Earnings per share attributable to net income is calculated by dividing the net income for the period by the weighted average of number of shares outstanding during the period.

Operating lease

Rentals payable under operating leases are charged to the consolidated interim statement of income on a straight line basis over the term of the operating lease.

Fair values

The fair value of commission-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows and other relevant factors. Cost is considered to be the fair value where there is no reliable fair value information available for such investments.

Results of interim period

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

4 SHARE CAPITAL

Share capital is divided into 60,000,000 shares (2014: 60,000,000 shares) of SR 10 each.

5 DIVIDENDS

On 4 Shawal 1436H (corresponding to 20 July 2015), the Board of Directors, resolved to distribute cash dividends for the first half of year 2015 of SR 1 per share (totaling to SR 60 Million). Dividends have been fully paid in the current period.

On 20 Jumada ' II 1436 H (corresponding to 9 April 2015), the Annual General Assembly approved the payment of final cash dividends of year 2014 of SR 1 per share (totaling to SR 60 Million). Dividends have been fully paid in the current period.

On 24 Ramadan 1435H (corresponding to 21 July 2014), the Board of Directors, resolved to distribute the payment of cash dividends for the first half of year 2014 of SR 1 per share (totaling to SR 60 Million). Dividends have been fully paid in the comparative period.

Zamil Industrial Investment Company (Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

(Continued)

At 30 September 2015

5 DIVIDENDS (continued)

On 16 Jumada ' II 1435 H (corresponding to 16 April 2014), the Annual General Assembly approved the payment of final cash dividends of year 2013 of SR 1 per share (totaling to SR 60 Million). Dividends have been fully paid in the comparative period.

6 CONTINGENT LIABILITIES

The Group's bankers have issued performance and payments guarantees, on behalf of the Group, amounting to SR 969 million (2014: SR 1,104 million).

7 STATUS OF ZAKAT ASSESSMENTS

Zakat assessments have been agreed with the Department of Zakat and Income Tax (the "DZIT") up to 2012. The Zakat declarations for the years 2013 and 2014 are still under the DZIT's review.

8 SEGMENT INFORMATION

Consistent with the Group's internal process, business segments have been approved by the management in respect for its activities. The Group have the following segments:

A- Analysis of sales, income from main operations and net assets by activity:

	<i>Sales</i> SR '000'	<i>Income from main operations</i> SR '000'	<i>Net assets</i> SR '000'
<i>As of 30 September 2015</i>			
Air condition industry	1,815,086	152,557	814,591
Steel industry	1,974,009	119,322	1,013,897
Insulation	242,308	21,772	130,383
Head office	4,660	(12,695)	(137,157)
	<u>4,036,063</u>	<u>280,956</u>	<u>1,821,714</u>
<i>As of 30 September 2014</i>			
Air condition industry	1,714,717	138,011	686,528
Steel industry	1,866,857	146,868	986,673
Insulation	227,205	24,471	107,085
Concrete	155,412	(6,320)	22,916
Head office	5,359	(17,053)	(122,649)
	<u>3,969,550</u>	<u>285,977</u>	<u>1,680,553</u>

B- Analysis of sales, income from main operations and net assets by geographical locations:

	<i>Sales</i> SR '000'	<i>Income from main operations</i> SR '000'
<i>As of 30 September 2015</i>		
Saudi Arabia		
Local sales	2,868,815	227,469
Export sales	403,968	31,140
Other Asian countries	446,770	3,359
Africa	308,199	17,987
Europe	8,311	1,001
	<u>4,036,063</u>	<u>280,956</u>

Zamil Industrial Investment Company (Saudi Joint Stock Company) and its
Subsidiaries

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

(Continued)

At 30 September 2015

8 SEGMENT INFORMATION (continued)

As of 30 September 2014

Saudi Arabia

Local sales	2,898,815	219,001
Export sales	385,945	33,613
Other Asian countries	420,668	13,660
Africa	258,215	20,312
Europe	<u>5,907</u>	<u>(609)</u>
	<u>3,969,550</u>	<u>285,977</u>

9 COMPARATIVE FIGURES

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