

**ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS  
SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AND AUDITORS' REPORT (LIMITED REVIEW)  
FOR THE THREE MONTHS AND SIX MONTHS PERIODS  
ENDED JUNE 30, 2013**

**ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

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**(LIMITED REVIEW)**  
**FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2013**

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## AUDITORS' REPORT (LIMITED REVIEW) ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the stockholders  
Zamil Industrial Investment Company  
Dammam, Saudi Arabia

### Scope of Review

We have reviewed the consolidated interim balance sheet of Zamil Industrial Investment Company ("the parent company"), a Saudi Joint Stock Company, and its subsidiaries as of June 30, 2013 and the related consolidated interim statement of income for the three months and six months periods then ended, consolidated interim cash flows for the six months then ended, and notes 1 to 5 which form an integral part of these consolidated interim financial statements as prepared by the parent company and presented to us with all the necessary information and explanations. These consolidated interim financial statements are the responsibility of the parent company's management.

We conducted our review in accordance with the standard of auditing applicable to interim financial reporting in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data 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 consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

### Review Results

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 generally accepted accounting standards in the Kingdom of Saudi Arabia.

Deloitte & Touche  
Bakr Abulkhair & Co.

Nasser M. Al-Sagga  
License No. 322  
8 Ramadan, 1434  
July 16, 2013



**ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED INTERIM BALANCE SHEET**  
**AS OF JUNE 30, 2013**

	Note	2013 SR 000 (un-audited )	2012 SR 000 (un-audited )
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		322,950	394,216
Trade accounts and notes receivables		1,743,934	1,468,950
Advances, other receivables and prepayments		383,375	379,732
Advances to an unconsolidated subsidiary		340,926	264,181
Inventories		1,990,409	1,850,040
Amounts due from related parties		101,886	115,910
<b>Total current assets</b>		<b>4,883,480</b>	<b>4,473,029</b>
<b>Non-current assets</b>			
Investments		244,474	332,192
Property, plant and equipment		1,572,972	1,478,324
Deferred charges		16,844	11,288
Goodwill		169,906	176,251
<b>Total non-current assets</b>		<b>2,004,196</b>	<b>1,998,055</b>
<b>TOTAL ASSETS</b>		<b>6,887,676</b>	<b>6,471,084</b>
<b>LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS</b>			
<b>Current liabilities</b>			
Notes and accounts payable, accruals and provisions		956,708	792,917
Amounts due to related parties		56,606	93,293
Advances from customers		425,477	342,525
Murabaha and tawarruq finances		2,824,214	2,646,719
Short term loans		94,403	54,431
Current portion of term loans		269,593	287,835
<b>Total current liabilities</b>		<b>4,627,001</b>	<b>4,217,720</b>
<b>Non-current liabilities</b>			
S I D F loans		82,720	57,141
Other long term loans and payables		101,467	274,331
Employees' terminal benefits		288,366	272,569
<b>Total non-current liabilities</b>		<b>472,553</b>	<b>604,041</b>
<b>Total liabilities</b>		<b>5,099,554</b>	<b>4,821,761</b>
<b>Stockholders' equity and non-controlling interests</b>			
Share capital	1	600,000	600,000
Statutory reserve		217,229	193,783
Retained earnings		736,868	617,643
Unrealised loss on investments		-	(1,173)
Translation loss on consolidation		(38,749)	(21,894)
<b>Total stockholders' equity</b>	3	<b>1,515,348</b>	<b>1,388,359</b>
Non-controlling interests		272,774	260,964
<b>Total stockholders' equity and non-controlling interests</b>		<b>1,788,122</b>	<b>1,649,323</b>
<b>TOTAL LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS</b>		<b>6,887,676</b>	<b>6,471,084</b>

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




**ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED INTERIM STATEMENT OF INCOME**  
**FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2013**

	From April 1 to June 30		From January 1 to June 30	
	2013 SR 000 (un-audited)	2012 SR 000 (un-audited)	2013 SR 000 (un-audited)	2012 SR 000 (un-audited)
Net sales	1,431,032	1,344,786	2,673,974	2,446,889
Cost of sales	(1,116,144)	(1,061,247)	(2,059,326)	(1,922,740)
<b>Gross profit</b>	<b>314,888</b>	<b>283,539</b>	<b>614,648</b>	<b>524,149</b>
<b>Expenses</b>				
Selling and distribution	121,429	102,395	226,715	195,021
General and administration	95,613	84,331	192,914	161,503
<b>Income from main operations</b>	<b>97,846</b>	<b>96,813</b>	<b>195,019</b>	<b>167,625</b>
Other (expenses) income, net	(1,492)	5,970	276	5,999
Share of profit (loss) from associates, net	824	(2,570)	1,388	88
Financial charges	(20,564)	(20,294)	(43,169)	(39,771)
Non-controlling interests and foreign taxes	(7,883)	(16,367)	(17,002)	(28,663)
<b>Income before zakat</b>	<b>68,731</b>	<b>63,552</b>	<b>136,512</b>	<b>105,278</b>
Zakat	(5,130)	(7,785)	(10,219)	(12,002)
<b>NET INCOME</b>	<b>63,601</b>	<b>55,767</b>	<b>126,293</b>	<b>93,276</b>
Earnings per share from net income	SR 1.06	SR 0.93	SR 2.10	SR 1.55
Earnings per share from continuing main operations	SR 1.08	SR 0.83	SR 2.10	SR 1.45
(Loss) earnings per share from other operations	SR (0.02)	SR 0.10	SR 0.00	SR 0.10
Weighted average number of shares	60,000,000	60,000,000	60,000,000	60,000,000

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

**ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2013**

	1 Jan to 30 June 2013 SR 000 (un-audited)	1 Jan to 30 June 2012 SR 000 (un-audited)
<b>OPERATING ACTIVITIES</b>		
Net income	126,293	93,276
Depreciation	67,293	67,145
Zakat provision	10,219	12,002
Loss (gain) on disposal of property, plant and equipment	200	(5)
Share of profit from associates, net	(1,388)	(88)
Loss on sale of investments	369	-
Non-controlling interests	13,832	27,827
Amortisation of deferred charges	878	480
Inventories	(170,144)	28,510
Receivables	(116,389)	(149,003)
Payables and accruals	(2,054)	37,474
Employees' terminal benefits, net	16,303	21,203
Zakat paid	(8,582)	(63,239)
<b>Net cash (used in) from operating activities</b>	<b>(63,170)</b>	<b>75,582</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(64,256)	(106,682)
Proceeds from disposal of property, plant and equipment	3,273	1,338
Proceed from sale of investments, net	18,883	-
Deferred charges incurred	(1,016)	-
<b>Net cash used in investing activities</b>	<b>(43,116)</b>	<b>(105,344)</b>
<b>FINANCING ACTIVITIES</b>		
Changes in short term loans, murabaha and tawarruq finances	229,471	266,007
Changes in term loans	(90,422)	(82,070)
Dividends paid	(45,000)	(45,000)
<b>Net cash from financing activities</b>	<b>94,049</b>	<b>138,937</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(12,237)</b>	<b>109,175</b>
Cash and cash equivalents at January 1	338,820	285,867
Movement in translation loss, net	(3,633)	(826)
<b>CASH AND CASH EQUIVALENTS AT JUNE 30</b>	<b>322,950</b>	<b>394,216</b>

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

**ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2013**

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**1. STATUS AND ACTIVITIES**

Zamil Industrial Investment Company (“the parent company”) was converted into a closed Saudi Joint Stock Company in accordance with Ministerial Resolution 407 dated 14.3.1419H (corresponding to 8 July 1998). Prior to that, the parent company was operating as a limited liability company under the name of Zamil Steel Buildings Company Limited. On 9 February 2002, the parent company was officially listed on the Saudi Stock Exchange. The parent company is registered in Saudi Arabia under Commercial Registration number 2050004215.

The parent company and its subsidiaries (collectively referred to as “the group”) are engaged in design and engineering, manufacturer and fabricator of construction materials, pre-engineered steel buildings, steel structures, air conditioning and climate control systems for commercial, industrial and residential applications, telecom and transmission towers, process equipment, precast concrete building products, fiberglass, rockwool and engineered plastic foam insulations, and solar power projects.

The parent company has a branch in Dammam and its main subsidiaries are in Saudi Arabia, Egypt, Vietnam, Austria, Italy, India, China and United Arab Emirates.

During the period, the parent company disposed off 27.5% interest in Saudi Aerated Concrete Industries Company (an associate) and recognized a gain of SR 0.22 million.

The share capital of the parent company, amounting to SR 600 million (30 June 2012: SR 600 million) is divided into 60 million shares of SR 10 each (30 June 2012: 60 million shares of SR 10 each).

**2. SIGNIFICANT ACCOUNTING POLICIES**

These consolidated interim financial statements have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). Significant accounting policies adopted by the Group are summarized as follows:

**Interim period results**

The group has made all necessary adjustments which are important to present fairly in all material respects the consolidated interim financial position and interim results of operations. The consolidated interim 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 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 consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period.

**ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2013**

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**Revenue recognition**

Net sales represent the invoiced value of goods supplied, services rendered and work executed by the group during the year. For central air conditioning jobs, revenue and proportionate profit are recognised when the outcome of the contract can be determined with reasonable certainty. If losses are foreseen, they are provided for in full.

Revenue recognized in excess of progress billings are disclosed under advances, other receivables and prepayments in the consolidated interim balance sheet. Whereas billings in excess of cost are disclosed under notes and accounts payable, accruals and provisions in the consolidated interim balance sheet.

**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.

**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.

Loans front-end fees represents the fee relating to the loans from Saudi Industrial Development Fund ("SIDF"). These costs are being amortized over the period of the loans and the amortization is capitalized as part of capital work-in-progress (if applicable) up to the date of commencement of commercial operations and subsequently it is charged to the consolidated interim statement of income.

**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**

Property, plant and equipment are initially recorded at cost and are stated at cost less accumulated depreciation and any impairment in value. 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 balance sheet date. All differences are taken to the consolidated interim statement of income. Financial statements of foreign subsidiaries are translated into Saudi Riyals using the exchange rate at the balance sheet date for assets and liabilities and the average exchange rate for revenues, expenses, gains and losses. Components of equity, other than retained earnings, are held at the historical rates. Translation adjustments are recorded as a separate component of consolidated stockholders' equity. Translation loss that is considered permanent is charged to the consolidated interim statement of income.



**ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2013**

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**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 consolidated interim statement of income. Marketable equity securities available for sale are stated at fair value and unrealized gains and losses thereon are included in consolidated interim stockholders' 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 declared.

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 consolidated interim 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.

**Business combination and goodwill**

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 minority interests in the acquiree. For each business combination, the acquirer measures the minority interest in the acquiree either at fair value or at the proportionate share of the acquirer'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 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.

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.

**ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2013**

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**Permanent impairment of non-current assets**

At each balance sheet date, the group reviews the carrying values of property, plant and equipment and other non-current assets 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.

Impairment is determined for goodwill 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 (or 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 (or 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 (or cash generating unit) in prior years. The reversal of impairment loss other than goodwill is recognized as income once identified.

**Zakat and income tax**

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. Income tax is provided for in accordance with foreign fiscal authorities in which the group's foreign subsidiaries operate. The liabilities are charged directly to the consolidated interim statement of income. The zakat charge and income tax, assessable on the non-controlling stockholders is included in non-controlling interests. Additional amounts, if any, that become due on finalisation of assessment are accounted for in the period in which assessment is finalised.

The zakat and income tax provision for the interim period is calculated based on the estimated zakat and income tax 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 and income tax calculation for the year is accounted for at year end.

**Earnings per share**

Earnings per share are computed by dividing net income for the period by the weighted average number of shares outstanding, during the period ended June 30, 2013 of 60 million shares (2012: 60 million shares).

Earnings per share from the continuing main operations are computed by dividing the operating income adjusted with zakat and tax, finance charges, net share of profit/loss from associates and non-controlling interests for the period by the weighted average number of shares outstanding.

Earnings per share from other operations are computed by dividing the other income for the periods by the weighted average number of shares outstanding.

**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.

**ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS SUBSIDIARIES**  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND SIX MONTHS PERIODS ENDED JUNE 30, 2013**

**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	
	<b>1 Jan to 30 June 2013</b> <b>(un-audited)</b>	1 Jan to 30 June 2012 <b>(un-audited)</b>	<b>1 Jan to 30 June 2013</b> <b>(un-audited)</b>	1 Jan to 30 June 2012 <b>(un-audited)</b>	<b>30 June 2013</b> <b>(un-audited)</b>	30 June 2012 <b>(un-audited)</b>
Air conditioner industry	<b>1,123,153</b>	887,263	<b>96,519</b>	82,281	<b>501,119</b>	447,288
Steel industry	<b>1,305,680</b>	1,310,601	<b>83,944</b>	48,321	<b>886,512</b>	782,979
Insulation	<b>147,035</b>	181,333	<b>18,398</b>	33,831	<b>120,591</b>	113,340
Concrete	<b>94,954</b>	67,692	<b>4,732</b>	5,495	<b>30,697</b>	54,280
Head office	<b>3,152</b>	-	<b>(8,574)</b>	(2,303)	<b>(23,571)</b>	(9,528)
	<b>2,673,974</b>	2,446,889	<b>195,019</b>	167,625	<b>1,515,348</b>	1,388,359

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

	Sales SR 000		Income /(loss) from main operations SR 000	
	<b>1 Jan to 30 June 2013</b> <b>(un-audited)</b>	1 Jan to 30 June 2012 <b>(un-audited)</b>	<b>1 Jan to 30 June 2013</b> <b>(un-audited)</b>	1 Jan to 30 June 2012 <b>(un-audited)</b>
Saudi Arabia				
Local sales	<b>1,863,343</b>	1,639,790	<b>148,345</b>	128,221
Export sales	<b>290,748</b>	440,376	<b>21,571</b>	29,659
Other Asian countries	<b>360,927</b>	207,047	<b>19,801</b>	6,314
Africa	<b>154,169</b>	159,676	<b>6,106</b>	3,431
Europe	<b>4,787</b>	-	<b>(804)</b>	-
	<b>2,673,974</b>	2,446,889	<b>195,019</b>	167,625

**4. DIVIDENDS**

In 2013, the parent company paid a cash dividend of SR 0.75 per share totalling SR 45 million for the year 2012 (2012 – SR 0.75 per share totalling SR 45 million for the year 2011).

**5. CONTINGENT LIABILITIES**

At 30 June 2013, the group has outstanding bank guarantees amounting to SR 988 million (30 June 2012: SR 993 million) issued during the normal course of the business.