

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

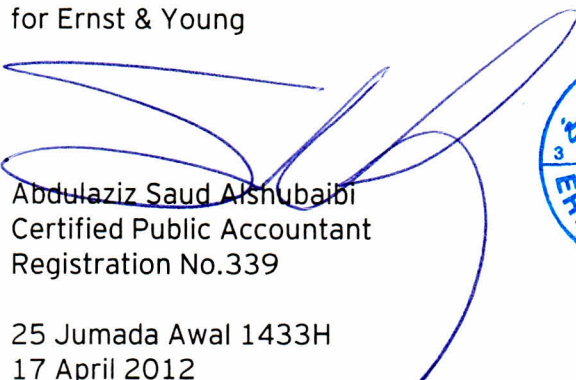
Scope of limited review:

We have reviewed the accompanying interim consolidated balance sheet of Zamil Industrial Investment Company (A Saudi Joint Stock Company) ("the parent company") and its subsidiaries (collectively referred to as "the group") as at 31 March 2012, the related interim consolidated statement of income for the three months periods ended on 31 March 2012 and the interim statement of cash flows for the three months period ended on 31 March 2012. These interim consolidated financial statements are the responsibility of the parent company'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 parent company'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 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



25 Jumada Awal 1433H
17 April 2012

Al-Khobar

INTERIM CONSOLIDATED STATEMENT OF INCOME (Un audited)

All Figures in SAR '000

Particulars	2011	2012
	Jan-Mar	Jan-Mar
Net sales	966,717	1,102,103
Cost of sales	745,893	861,493
Gross profit	220,824	240,610
Less: Expenses		
Selling & distribution expenses	88,159	92,626
General & administration expenses	73,033	77,172
Income from main operations	59,632	70,812
Other income	2,659	29
Company's share of profits in associates, net	1,572	2,658
Financial charges	(14,846)	(19,477)
Minority interest + tax	(7,705)	(12,296)
Income before zakat	41,312	41,726
Zakat	4,557	4,217
Net income	36,755	37,509
Earnings per share (from main operations)	0.99	1.18
Earnings per share (from net income)	0.61	0.63

INTERIM CONSOLIDATED BALANCE SHEET (Un audited)

Particulars	As at	As at
	31.03.2011	31.03.2012
Assets		
Current Assets		
Cash and cash equivalents	315,646	302,569
Trade accounts and notes receivables	1,103,057	1,397,095
Advances, other receivables and prepayments	280,653	352,712
Advances to an unconsolidated subsidiary	82,273	237,621
Inventories	1,786,879	1,908,488
Amounts due from related parties & affiliates	74,541	101,579
Total Current Assets	3,643,049	4,300,064
Non-Current Assets		
Investments	260,663	341,460
Property, plant and equipment	1,243,176	1,471,385
Deferred charges	12,632	11,505
Goodwill	62,278	176,251
Total Non-Current Assets	1,578,749	2,000,601
Total Assets	5,221,798	6,300,665
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes & accounts payable, accruals & provisions	869,897	799,694
Amounts due to related parties & affiliates	16,811	78,428
Advances from customers	286,438	251,659
Murabaha and tawarruq finances	1,534,106	2,517,621
Short term loans	36,744	55,267
Current portion of term loans	243,683	284,334
Total Current Liabilities	2,987,679	3,987,003
Non-Current Liabilities		
S I D F loans	68,099	62,050
Other long term loans	465,726	348,169
Employee's terminal benefits	230,740	265,244
Total Non-Current Liabilities	764,565	675,463
Total Liabilities	3,752,244	4,662,466
Shareholders' Equity		
Share capital	600,000	600,000
Statutory reserve	172,712	188,206
Retained earnings	520,003	567,453
Proposed dividends	45,000	45,000
Unrealized gain on investments	1,564	1,271
Translation loss on consolidation	(17,067)	(8,714)
	1,322,212	1,393,216
Minority interests	147,342	244,983
Total Shareholders' Equity	1,469,554	1,638,199
Total Liabilities and Shareholders' Equity	5,221,798	6,300,665

INTERIM CONSOLIDATED CASH FLOW (Un audited)

Particulars	Period ended	Period ended
	31.03.2011	31.03.2012
From Operations		
Net income	36,755	37,509
Depreciation	30,621	34,715
Zakat provision	4,557	4,217
Loss on disposal of property, plant and equipment	(1)	(4)
Company's share of profits in associates, net	(1,572)	(2,658)
Minority interest	6,741	11,866
Amortisation of deferred charges	742	281
Inventories	(111,756)	(29,938)
Receivables	(12,579)	(9,237)
Payables & accruals	(70,091)	(66,486)
End of service benefits, net	7,320	13,878
Zakat & taxes paid	-	(46,491)
Net cash used in operating activities	(109,263)	(52,348)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(31,630)	(59,304)
Proceeds from sale of property, plant and equipment	91	1,333
Deferred charges	(1,000)	-
Cash used in investing activities	(32,539)	(57,971)
FINANCING ACTIVITIES		
Changes in short term loans, murabaha & tawarruq finances	166,873	137,745
Changes in term loans	(5,513)	(10,781)
Cash from financing activities	161,360	126,964
Increase in cash and cash equivalents	19,558	16,645
Cash and cash equivalents at January 1	299,361	285,867
Movement in translation loss, net	(3,273)	57
Cash and cash equivalents at March 31	315,646	302,569

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

At 31 March 2012

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 the manufacturing, marketing and maintenance of air conditioners, steel industry and glass industry. The parent company has a branch in Dammam and subsidiaries in Saudi Arabia, Egypt, Vietnam, Austria, Italy, India, China and United Arab Emirates.

The share capital of the parent company, amounting to SR 600 million (31 March 2011: SR 600 million) is divided into 60 million shares of SR 10 each (31 March 2011: 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 estimates

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, 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.

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

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

At 31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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 interim consolidated 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 interim consolidated statement of income.

Financial statements of foreign operations 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 interim consolidated shareholders' equity. Translation loss that is considered permanent is charged to the interim consolidated statement of income.

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

At 31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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 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 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.

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 interim consolidated 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 interim consolidated statement of income.

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

At 31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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 (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.

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 direct to the interim consolidated statement of income. The zakat charge and income tax, assessable on the minority shareholders is included in minority interest. 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.

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 are calculated by dividing the net income for the period by the weighted average number of shares outstanding during the period.

Basic earnings per share from main operation are calculated by dividing income from main operations for the period by the weighted average number of shares outstanding during the period.

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

At 31 March 2012

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	
	31 March 2011 (audited)	31 March 2012 (unaudited)	31 March 2011 (audited)	31 March 2012 (unaudited)	31 March 2011 (audited)	31 March 2012 (unaudited)
Air conditioner industry	348,740	349,882	32,443	31,166	306,803	407,632
Steel industry	531,703	628,693	15,419	24,484	793,276	779,349
Glass & fibreglass	45,026	95,401	8,244	18,037	121,023	107,134
Concrete	41,248	28,127	4,385	1,278	32,718	50,454
Head office	-	-	(859)	(4,153)	68,392	48,647
	966,717	1,102,103	59,632	70,812	1,322,212	1,393,216

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

	Sales SR'000		Income (loss) from main operations SR'000	
	31 March 2011 (audited)	31 March 2012 (unaudited)	31 March 2011 (audited)	31 March 2012 (unaudited)
Saudi Arabia:				
Local sales	597,807	727,939	47,590	53,839
Export sales	194,865	194,203	11,666	13,256
Other Asian countries	92,785	98,569	(399)	2,203
Africa	61,698	81,392	(643)	1,514
Europe	19,562	-	1,418	-
	966,717	1,102,103	59,632	70,812

4. CONTINGENT LIABILITIES

At 31 March 2012, the group has outstanding bank guarantees amounting to SR 784 million (31 March 2011: SR 645 million) issued during the normal course of the business.

5. COMPARATIVE FIGURES

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