

**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 NINE MONTHS  
PERIODS ENDED SEPTEMBER 30, 2014**

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(SAUDI JOINT STOCK COMPANY)**

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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 September 30, 2014 and the related consolidated interim statement of income for the three months and nine months periods then ended, consolidated interim cash flows for the nine months then ended, and notes 1 to 6 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  
26 Dhu-al-Hijjah, 1435  
October 20, 2014

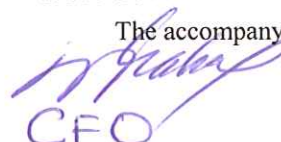


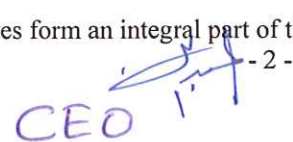
**ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED INTERIM BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2014**

	Note	2014 SR 000 (un-audited )	2013 SR 000 (un-audited )
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		285,010	384,689
Trade accounts and notes receivables		1,749,865	1,739,581
Advances, other receivables and prepayments		483,679	412,695
Advances to an unconsolidated subsidiary	1	-	341,598
Current portion of net investment in finance lease	1	18,877	-
Inventories		1,712,921	2,000,792
Amounts due from related parties		43,872	92,242
<b>Total current assets</b>		<b>4,294,224</b>	<b>4,971,597</b>
<b>Non-current assets</b>			
Investments	1	171,525	244,754
Net investment in finance lease	1	430,460	-
Property, plant and equipment		1,585,894	1,585,440
Deferred charges		13,534	16,719
Goodwill		158,543	169,906
<b>Total non-current assets</b>		<b>2,359,956</b>	<b>2,016,819</b>
<b>TOTAL ASSETS</b>		<b>6,654,180</b>	<b>6,988,416</b>
<b>LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS</b>			
<b>Current liabilities</b>			
Notes and accounts payable, accruals and provisions		1,117,648	1,027,981
Amounts due to related parties		12,367	54,659
Advances from customers		386,239	407,926
Murabaha and tawarruq finances		2,070,131	2,991,837
Short term loans		110,002	83,245
Current portion of term loans		157,320	133,141
<b>Total current liabilities</b>		<b>3,853,707</b>	<b>4,698,789</b>
<b>Non-current liabilities</b>			
SIDF loans		46,800	75,835
Other long term loans and payables		455,946	114,618
Employees' terminal benefits		332,783	301,775
<b>Total non-current liabilities</b>		<b>835,529</b>	<b>492,228</b>
<b>Total liabilities</b>		<b>4,689,236</b>	<b>5,191,017</b>
<b>Stockholders' equity and non-controlling interests</b>			
Share capital	1	600,000	600,000
Statutory reserve		247,678	222,125
Retained earnings		843,898	735,925
Translation loss on consolidation		(11,023)	(35,847)
<b>Total stockholders' equity</b>	3	<b>1,680,553</b>	<b>1,522,203</b>
Non-controlling interests		284,391	275,196
<b>Total stockholders' equity and non-controlling interests</b>		<b>1,964,944</b>	<b>1,797,399</b>
<b>TOTAL LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS</b>		<b>6,654,180</b>	<b>6,988,416</b>

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

 CFO

 CEO

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

**CONSOLIDATED INTERIM STATEMENT OF INCOME**  
**FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2014**

	From July 1 to September 30		From January 1 to September 30	
	2014 SR 000 (un-audited)	2013 SR 000 (un-audited)	2014 SR 000 (un-audited)	2013 SR 000 (un-audited)
Revenue	1,290,681	1,374,398	3,969,550	4,048,372
Cost of revenue	(978,995)	(1,057,615)	(3,036,258)	(3,116,941)
<b>Gross profit</b>	<b>311,686</b>	<b>316,783</b>	<b>933,292</b>	<b>931,431</b>
<b>Expenses</b>				
Selling and distribution	130,483	125,562	368,707	352,277
General and administration	91,495	103,308	278,608	296,222
<b>Income from main operations</b>	<b>89,708</b>	<b>87,913</b>	<b>285,977</b>	<b>282,932</b>
Other (expenses) income, net	(1,004)	(5,208)	8,052	(4,932)
Share of profit from associates, net	780	280	2,673	1,668
Financial charges	(20,740)	(23,859)	(60,611)	(67,028)
Non-controlling interests	(5,895)	(2,422)	(12,252)	(16,254)
<b>Income before zakat and taxes</b>	<b>62,849</b>	<b>56,704</b>	<b>223,839</b>	<b>196,386</b>
Foreign taxes	(752)	(1,844)	(7,466)	(5,014)
Zakat	(5,703)	(5,907)	(20,957)	(16,126)
<b>NET INCOME</b>	<b>56,394</b>	<b>48,953</b>	<b>195,416</b>	<b>175,246</b>
Earnings per share from net income	SR 0.94	SR 0.82	SR 3.26	SR 2.92
Earnings per share from continuing main operations	SR 0.96	SR 0.91	SR 3.13	SR 3.00
(Loss) earnings per share from other operations	SR (0.02)	SR (0.09)	SR 0.13	SR (0.08)
Weighted average number of shares	60,000,000	60,000,000	60,000,000	60,000,000

  
CFO

  
CEO

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

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014**

	1 January to 30 September 2014 SR 000 (un-audited)	1 January to 30 September 2013 SR 000 (un-audited)
<b>OPERATING ACTIVITIES</b>		
Income before zakat and taxes	223,839	196,386
Adjustments for:		
Depreciation	115,428	102,430
Employees' terminal benefits, net	22,158	29,712
Loss on disposal of property, plant and equipment	1,282	138
Non-controlling interests	12,252	16,254
Share of profit from associates, net	(2,673)	(1,668)
Loss on sale of investments	-	369
Amortisation of deferred charges	1,876	1,010
Financial charges	60,611	67,028
	434,773	411,659
Changes in operating assets and liabilities:		
Inventories	237,813	(180,527)
Receivables	(3,017)	(132,384)
Net investment in finance lease	13,642	-
Payables and accruals	(57,092)	44,177
Cash from operations	626,119	142,925
Financial charges paid	(60,611)	(67,028)
Foreign taxes and zakat paid	(39,766)	(13,959)
<b>Net cash from operating activities</b>	<b>525,742</b>	<b>61,938</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(97,901)	(114,727)
Proceeds from disposal of property, plant and equipment	1,062	837
Investments, net	-	18,883
Deferred charges incurred	-	(1,023)
<b>Net cash used in investing activities</b>	<b>(96,839)</b>	<b>(96,030)</b>
<b>FINANCING ACTIVITIES</b>		
Changes in short term loans, murabaha and tawarruq finances	(652,661)	385,936
Changes in term loans	360,996	(220,608)
Dividends paid	(120,000)	(90,000)
<b>Net cash (used in) from financing activities</b>	<b>(411,665)</b>	<b>75,328</b>
<b>Net increase in cash and cash equivalents</b>	<b>17,238</b>	<b>41,236</b>
Cash and cash equivalents at January 1	268,557	338,820
Movement in translation loss net	(785)	4,633
<b>CASH AND CASH EQUIVALENTS AT SEPTEMBER 30</b>	<b>285,010</b>	<b>384,689</b>

 CFO  CEO

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 NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2014**

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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.

In 2013, the parent company disposed off 27.5% interest in Saudi Aerated Concrete Industries Company (an associate).

During the fourth quarter of 2013, the parent company’s investment in Eastern District Cooling Company Limited (“EDCC”) has been consolidated effective January 1, 2013 as EDCC started its commercial operations in 2013 and the net assets of EDCC as at December 31, 2012 was SR 72.66 million.

The share capital of the parent company, amounting to SR 600 million (30 September 2013: SR 600 million) is divided into 60 million shares of SR 10 each (30 September 2013: 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:

**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.

**Revenue recognition**

Net sales represent the invoiced value of goods supplied, services rendered and work executed by the group during the period. 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.

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2014**

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, distribution 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 NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2014**

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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.

**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 recognized at an amount equal to the present value of the lease payments which is included in the consolidated interim financial statements as "net investment in finance lease".

**Goodwill**

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  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2014**

**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 unit) is less than the carrying amount of the cash-generating unit (or group of cash-generating unit) 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 September 30, 2014 of 60 million shares (2013: 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 NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2014**

**3. SEGMENTAL ANALYSIS**

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

	Sales		Income / (loss) from main operations		Net assets	
	SR 000		SR 000		SR 000	
	1 January to 30 September 2014 (un-audited)	1 January to 30 September 2013 (un-audited)	1 January to 30 September 2014 (un-audited)	1 January to 30 September 2013 (un-audited)	30 September 2014 (un-audited)	30 September 2013 (un-audited)
Air conditioner industry	1,714,717	1,725,874	138,011	136,707	686,528	496,069
Steel industry	1,866,857	1,961,066	146,868	130,520	986,673	906,651
Insulation	227,205	221,129	24,471	24,466	107,085	123,038
Concrete	155,412	135,883	(6,320)	4,998	22,916	29,904
Head office	5,359	4,420	(17,053)	(13,759)	(122,649)	(33,459)
	<b>3,969,550</b>	<b>4,048,372</b>	<b>285,977</b>	<b>282,932</b>	<b>1,680,553</b>	<b>1,522,203</b>

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

	Sales		Income / (loss) from main operations		
	SR 000		SR 000		
	1 January to 30 September 2014 (un-audited)	1 January to 30 September 2013 (un-audited)	1 January to 30 September 2014 (un-audited)	1 January to 30 September 2013 (un-audited)	
Saudi Arabia					
Local sales		2,898,815	2,959,905	219,001	220,069
Export sales		385,945	383,636	33,613	29,087
Other Asian countries		420,668	467,829	13,660	23,844
Africa		258,215	229,825	20,312	10,701
Europe		5,907	7,177	(609)	(769)
		<b>3,969,550</b>	<b>4,048,372</b>	<b>285,977</b>	<b>282,932</b>

**4. DIVIDENDS**

In 2014, the parent company paid a cash dividend of SR 1 per share totalling SR 60 million for the year 2013 (2013 – SR 0.75 per share totalling SR 45 million for the year 2012). During the period, the parent company also paid an interim dividend of SR 1 per share totalling SR 60 million (2013 – SR 0.75 per share totalling SR 45 million).

**5. CONTINGENT LIABILITIES**

At September 30, 2014, the group has outstanding bank guarantees amounting to SR 1,104 million (September 30, 2013: SR 1,094 million) issued during the normal course of the business.

**6. RESULTS OF INTERIM PERIOD**

The results of the interim period are not audited and therefore it may not give accurate indication of the annual operating results.