

**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 YEAR ENDED
DECEMBER 31, 2014**

**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 YEAR ENDED DECEMBER 31, 2014**

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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 December 31, 2014 and the related consolidated interim statement of income for the three months and the year then ended, consolidated interim cash flows for the year then ended, and notes 1 to 7 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
28 Rabi' I, 1436
January 19, 2015



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

CONSOLIDATED INTERIM BALANCE SHEET
AS OF DECEMBER 31, 2014

	Note	2014 SR 000 (un-audited)	2013 SR 000 (audited)
ASSETS			
Current assets			
Cash and cash equivalents		291,513	268,557
Trade accounts and notes receivables		1,735,851	1,823,497
Advances, other receivables and prepayments		432,263	415,668
Current portion of net investment in finance lease	1	19,078	18,287
Inventories		1,591,975	1,950,734
Amounts due from related parties		98,926	35,234
Total current assets		4,169,606	4,511,977
Non-current assets			
Investments	1	210,670	168,852
Net investment in finance lease	1	425,614	444,692
Property, plant and equipment		1,419,443	1,608,385
Deferred charges		7,362	8,321
Goodwill		110,706	158,543
Total non-current assets		2,173,795	2,388,793
TOTAL ASSETS		6,343,401	6,900,770
LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS			
Current liabilities			
Notes and accounts payable, accruals and provisions		1,182,337	1,128,304
Amounts due to related parties		26,000	35,448
Advances from customers		287,365	420,934
Murabaha and tawarruq finances		1,857,538	2,751,901
Short term loans		109,090	80,893
Current portion of term loans		128,378	91,160
Total current liabilities		3,590,708	4,508,640
Non-current liabilities			
SIDF loans		67,720	56,296
Other long term loans and payables		367,138	144,528
Employees' terminal benefits		319,399	310,625
Total non-current liabilities		754,257	511,449
Total liabilities		4,344,965	5,020,089
Stockholders' equity and non-controlling interests			
Share capital	1	600,000	600,000
Statutory reserve		254,170	228,136
Retained earnings		902,330	728,024
Proposed cash dividends		-	60,000
Translation loss on consolidation		(10,604)	(7,618)
Total stockholders' equity	3	1,745,896	1,608,542
Non-controlling interests		252,540	272,139
Total stockholders' equity and non-controlling interests		1,998,436	1,880,681
TOTAL LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS		6,343,401	6,900,770

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 YEAR ENDED DECEMBER 31, 2014

	From October 1 to December 31		From January 1 to December 31	
	2014 SR 000 (un-audited)	2013 SR 000 (un-audited)	2014 SR 000 (un-audited)	2013 SR 000 (audited)
Revenue	1,525,235	1,365,612	5,494,785	5,413,984
Cost of revenue	(1,139,722)	(990,229)	(4,175,980)	(4,107,170)
Gross profit	385,513	375,383	1,318,805	1,306,814
Expenses				
Selling and distribution	142,290	146,989	510,997	499,266
General and administration	126,256	110,889	404,864	407,111
Income from main operations	116,967	117,505	402,944	400,437
Impairment of goodwill	(23,957)	(11,363)	(23,957)	(11,363)
Permanent translation loss on consolidation	-	(29,249)	-	(29,249)
Other income, net	7,571	16,749	15,623	11,817
Share of profit (loss) from associates, net	1,136	(104)	3,809	1,564
Financial charges	(21,702)	(18,772)	(82,313)	(85,800)
Income before non-controlling interest, zakat and taxes	80,015	74,766	316,106	287,406
Non-controlling interests	(3,694)	(889)	(15,946)	(17,143)
Income before zakat and taxes	76,321	73,877	300,160	270,263
Foreign taxes	(5,535)	(7,285)	(13,001)	(12,299)
Zakat	(5,862)	(6,482)	(26,819)	(22,608)
NET INCOME	64,924	60,110	260,340	235,356
Earnings per share from net income	SR 1.08	SR 1.00	SR 4.34	SR 3.92
Earnings per share from continuing main operations	SR 0.95	SR 0.72	SR 4.08	SR 3.72
Earnings per share from other operations	SR 0.13	SR 0.28	SR 0.26	SR 0.20
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 YEAR ENDED DECEMBER 31, 2014

	1 January to 31 December 2014 SR 000 (un-audited)	1 January to 31 December 2013 SR 000 (audited)
OPERATING ACTIVITIES		
Income before zakat and taxes	300,160	270,263
Adjustments for:		
Depreciation	152,935	139,141
Employees' terminal benefits, net	25,394	38,562
Loss on disposal of property, plant and equipment	489	536
Gain on sale of investments	(14,080)	369
Non-controlling interests	15,946	17,143
Share of profit from associates, net	(3,809)	(1,564)
Amortisation of deferred charges	959	335
Amortisation of front end fee	1,639	2,256
Impairment of goodwill	23,957	11,363
Permanent translation loss on consolidation	-	29,249
Financial charges	82,313	85,800
	585,903	593,453
Changes in operating assets and liabilities:		
Inventories	333,126	(130,469)
Receivables	(50,887)	(118,902)
Net investment in finance lease	18,287	(19,852)
Payables and accruals	19,491	85,654
Cash from operations	905,920	409,884
Financial charges paid	(82,313)	(85,800)
Zakat and foreign taxes paid	(45,177)	(22,464)
Net cash from operating activities	778,430	301,620
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(141,000)	(190,927)
Proceeds from disposal of property, plant and equipment	2,490	18,608
Proceeds from sale of investments, net (Note 1)	16,875	18,883
Deferred charges incurred	-	(1,804)
Net cash used in investing activities	(121,635)	(155,240)
FINANCING ACTIVITIES		
Changes in short term loans, murabaha and tawarruq finances	(793,225)	143,648
Changes in term loans	308,134	(270,041)
Dividends paid	(120,000)	(90,000)
Non-controlling interests, net	(12,983)	(3,946)
Net cash used in financing activities	(618,074)	(220,339)
Net increase (decrease) in cash and cash equivalents	38,721	(73,959)
Cash and cash equivalents at the beginning of the year	268,557	338,820
Cash and cash equivalents of a consolidated subsidiary (Note 1)	1,000	1,000
Cash and cash equivalents of a de-consolidated subsidiary (Note 1)	(18,591)	-
Movement in translation loss, net	1,826	2,696
CASH AND CASH EQUIVALENTS AT DECEMBER 31	291,513	268,557

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

**ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS SUBSIDIARIES
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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).

In 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.

During the year, the parent company has lost its control on Rabiah and Nasser and Zamil Concrete Industrial Co. Ltd (RANCO) (formerly a subsidiary of the parent company with 50% holding) and the investee company has been deconsolidated effective October 1, 2014 and recognized as investment in associate using equity method.

During the year, the parent company acquired controlling interest in an existing investee company, Saudi Central Energy Company, which has become a wholly owned subsidiary effective January 1, 2014 at a carrying value of SR 0.35 million.

During the year, Gulf Insulation Group (GIG), a subsidiary of the parent company, transferred its 100% interest in its subsidiary, Saudi Preinsulated Pipes Company Limited (SPPI), to its shareholders against consideration in term of payment of dividend of SR 24.63 million. Further, the change in structure of the ownership in SPPI resulted in accounting for SPPI (formerly subsidiary of GIG up to December 31, 2013) as a subsidiary of the parent company effective January 1, 2014.

During the year GIG has disposed off its 49% investment in an associate, Armacell Zamil Middle East Company Limited, effectively May 31, 2014 for a consideration of SR 22.5 million and recognized a gain of SR 14.08 million. Legal formalities associated with the transfer of ownership were in process at the year-end.

The share capital of the parent company, amounting to SR 600 million (31 December 2013: SR 600 million) is divided into 60 million shares of SR 10 each (31 December 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:

**ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS SUBSIDIARIES
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014**

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 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.

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.

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014**

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.

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.

**ZAMIL INDUSTRIAL INVESTMENT COMPANY AND ITS SUBSIDIARIES
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014**

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.

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.

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 year ended December 31, 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 YEAR ENDED DECEMBER 31, 2014

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	
	1 January to 31 December 2014 (un-audited)	1 January to 31 December 2013 (audited)	1 January to 31 December 2014 (un-audited)	1 January to 31 December 2013 (audited)	31 December 2014 (un-audited)	31 December 2013 (audited)
Air conditioner industry	2,509,078	2,228,380	218,289	190,874	760,834	641,861
Steel industry	2,525,206	2,697,288	196,928	203,822	988,690	927,603
Insulation	297,331	298,649	25,322	29,017	119,154	100,118
Head office and others	163,170	189,667	(37,595)	(23,276)	(122,782)	(61,040)
	5,494,785	5,413,984	402,944	400,437	1,745,896	1,608,542

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

	Sales SR 000		Income /(loss) from main operations SR 000	
	1 January to 31 December 2014 (un-audited)	1 January to 31 December 2013 (audited)	1 January to 31 December 2014 (un-audited)	1 January to 31 December 2013 (audited)
Saudi Arabia				
Local sales	4,055,680	3,970,935	303,861	300,833
Export sales	513,416	508,352	40,223	40,585
Other Asian countries	582,080	611,791	26,143	42,454
Africa	334,407	310,270	32,866	17,074
Europe	9,202	12,636	(149)	(509)
	5,494,785	5,413,984	402,944	400,437

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 quarter ended September 30, 2014, 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 December 31, 2014, the group has outstanding bank guarantees amounting to SR 1,094 million (December 31, 2013: SR 1,170 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.

7. COMPARATIVE FIGURES

Certain figures for 2013, has been reclassified to conform to the presentation in 2014.