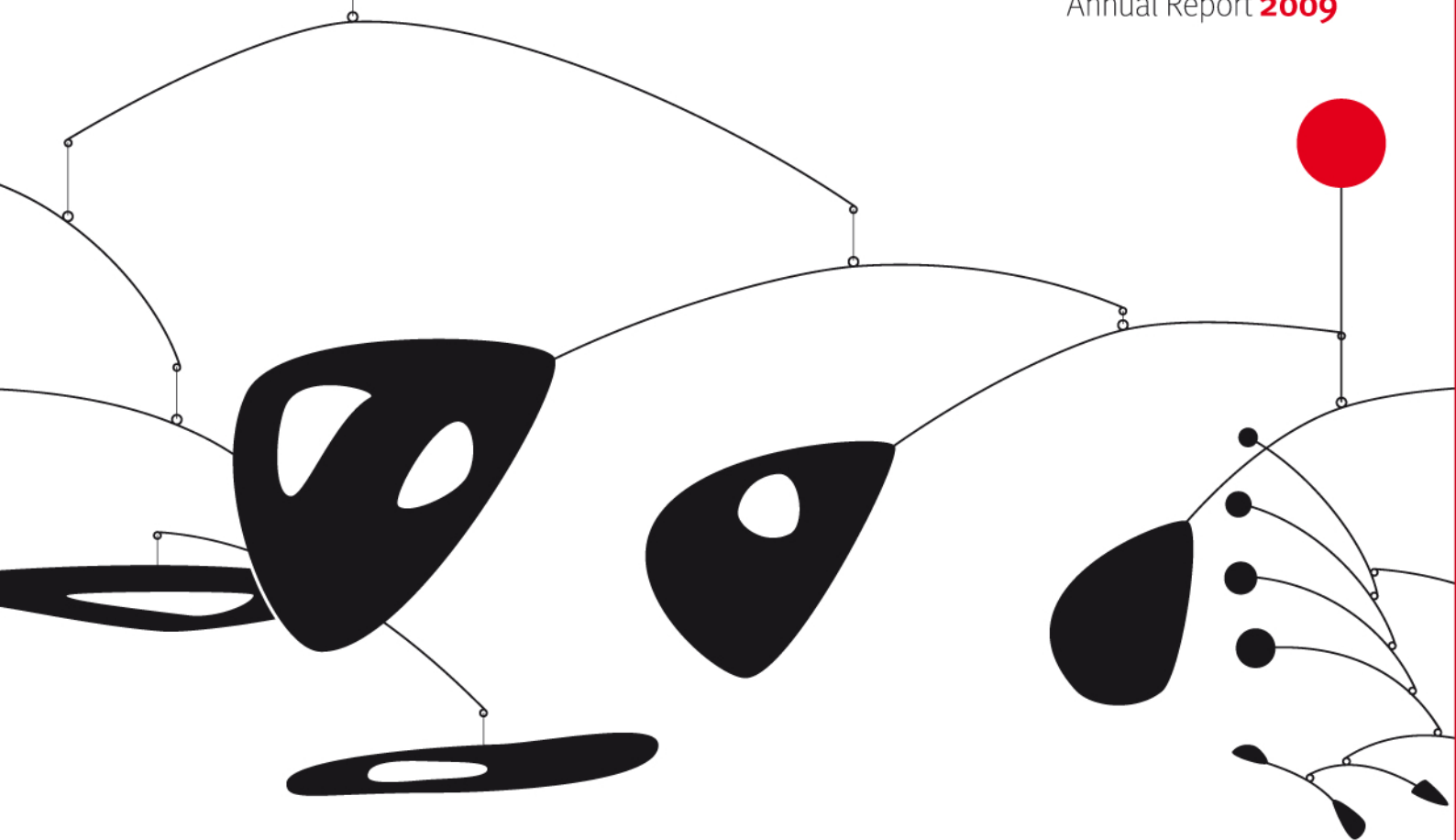


The greatest hope
for maintaining equilibrium
in the face of any situation
rests within ourselves.

Annual Report **2009**



Zamilindustrial



PERFORMANCE HIGHLIGHTS

- **Net Profit** rose 2.2 percent during 2009 to SAR230.2 million (USD61.4 million) over the figure for 2008 of SAR225.1 million (USD60 million).
- **Earnings per Share** increased to SAR5.11 (USD1.36) in 2009 from SAR5.00 (USD1.33) a year earlier.
- **Gross Profit** in 2009 totaled SAR924.9 million (USD246.6 million) as compared to SAR965.6 million (USD257.5 million) in 2008, a decrease of 4.2 percent.

- **Operating Profits** for the twelve months were SAR330.3 million (USD88.1 million) compared with SAR343.2 million (USD91.5 million) over the same period in 2008, a decline of 3.8 percent.

The increase in the overall results is a direct result of the improved performance of the company's international investments as well as a noticeable reduction in operating and administrative expenditure in the light of the implementation of prudent spending policies in 2009. On the other hand, the decline in Gross and Operating Profits is due mainly to a decrease in sales of 7.6%.

BOARD OF DIRECTORS

Front Row (Left to right): Khalid A. Al Zamil | HE Dr. Soliman A. Al Solaim
| Dr. Abdulrahman A. Al Zamil | Khaled S. Olayan | Ahmed A. Al Zamil
Back Row (Left to right): Sultan K. Bin Mahfouz | Hisham A. Razzuqi
| Adib A. Al Zamil | Abdulla M. Al Zamil | Sami K. Al Gosaibi



OUR MISSION STATEMENT AND CORE VALUES

Our Vision

To be a Winning Industrial Leader
Creating Superior Values for
Business and Community.

Our Mission

To Win Markets' and Stakeholders'
Trust Through Industrial
Competence and Mutual Prosperity.

Our Core Values

Honesty and Integrity – We believe goodwill and a good reputation are core to our business. We uphold honesty, integrity, professionalism and a high level of business ethics. We are prudent and fair in dealings with our stakeholders.

Customers and Excellence – We are diligent in understanding and fulfilling our customers' needs. We strive to please our customers by ensuring excellence in quality and service. We listen to our customers and “go the extra mile” to satisfy them.

Innovation and Change – We are passionate about meaningful innovation. We are a learning organization. We learn from our experiences and global best practices, and we innovate to create leading local solutions leveraging world class knowledge. We embrace positive change arising from innovation and our aspirations to grow our business.

Leadership and Prudence – We cultivate talent and leadership to create sound business solutions; to best meet our customer needs; and to develop markets, people and shareholder value. We do so by optimizing the use of funds, resources, materials and technologies. We build prudence and cost-effectiveness into our leadership culture passing-on the benefits to our customers.

CHAIRMAN'S LETTER



Dr. Abdulrahman Abdullah Al Zamil
Chairman of the Board

Dear Shareholder,

On behalf of the Board of Directors, I am very pleased to present to Shareholders the Annual Report and Consolidated Financial Statements of Zamil Industrial Investment Company (Zamil Industrial) for the financial year ended 31st December 2009.

The year under review has again been difficult following the fallout from the global financial crisis in 2008, which has had a markedly detrimental impact on economies around the world and especially on business confidence. The Saudi government sought to minimize the effect of the crisis in our domestic market by announcing its largest ever budget, but nevertheless, commercial activity remained subdued. The situation is similar in many if not most of our export markets.

This situation has continued to have a dampening effect on the construction sector, a prime target of Zamil Industrial's activities. Nevertheless, your company turnover amounted to SAR4,204.4 million (USD1,121 million), a 7.6% decrease over that recorded in 2008.

I am very happy to report that your company net profit for the year, after our contribution to Zakat, was SAR230.2 million (USD61.4 million) as compared to the figure of SAR225.1 million (USD60 million) in 2008. This translates into after-Zakat earnings per share of SAR5.11 (USD1.36), an increase of 2.2% over the figure of SAR5.00 (USD1.33) a year earlier.

On 31st December 2009, shareholders' equity stood at SAR1,195.5 million (USD318.8 million), 16.3% higher than the figure of SAR1,028.3 million (USD274.2 million) at the end of the previous year.

In light of these results, the Board of Directors is proposing a cash dividend of SAR1.50 (USD0.33) be paid for the year. This amounts to SAR67.5 million or 15% of the share capital. Shareholders' approval of the dividend will be sought at the Annual General meeting.

The Board of Directors is also proposing an increase in the

The net profit for the year was SAR230.2 million

company's paid-up capital from SAR450 million to SAR600 million by way of a bonus issue of shares for all shareholders registered at the close of trading on the date of the annual general assembly meeting, on the basis of one new share for every three held. The percentage increase in capital is 33% and will be funded by capitalizing SAR150 million of retained earnings. The proposal is made to enable current and future expansion of the business in accordance with the company's strategy as approved previously by the Board and is subject to further approval by the Capital Market Authority.

In October, our company underwent an internal reorganization at which time the Board of Directors approved the appointment of Abdulla M. Al Zamil as Chief Executive Officer and Osama F. Bunyan as the new Chief Operating Officer.

Our ongoing success is in large part due to the diversification of the company's business interests across all business sectors, namely steel, HVAC, glass, insulation, concrete and our other businesses that include utilities and telecommunications-related products and services. All our businesses contribute positively to the bottom line and, despite the

prevailing business climate, are sufficiently innovative and nimble to be able to continue to generate business growth in Saudi Arabia as well as in many of our export markets in the Middle East, Europe, Africa and Asia.

As part of our long-term strategy, a number of new business units came on stream during the year and additional companies were under formation. Two of these are in joint venture with partners from the USA and India respectively and the others are wholly owned by Zamil Industrial.

An important element in our success has always been our research and development capability leading to the introduction of new and innovative products or the further development of existing products.

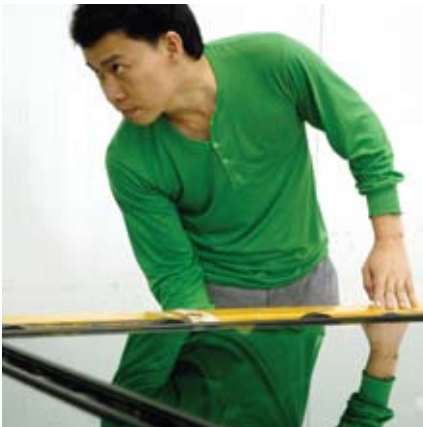


We continue to excel in this area as we continue our progress in building a broader product base.

Our company is a responsible corporate citizen in all the countries where we operate. Therefore we seek always to localize our workforce, to provide training, not only to employees but also to students seeking practical knowledge to complement their theoretical studies as well as work experience, and to ensure the suitability of our working environments. We also seek to provide those people in most need, especially but not exclusively in

those countries where we maintain operations. In this regard we are supplying steel buildings and air conditioning units to the Darfur Reconstruction Fund in Sudan.

Environmental protection is a prime feature of all our activities as we seek to reduce waste through recycling, conserving energy, and ensuring development of advanced products with a minimal environmental impact.



Health and safety in the workplace receives full attention throughout all business units, each of which is expected to keep the relevant certification up-to-date and to ensure the welfare of staff and protection of corporate assets at all times.

As a Saudi public company with international interests we seek always to ensure transparency of all that we do and to pursue our business in accordance with the highest ethical standards. Our Internal Audit team maintains a close watch over the day-to-day activity of all our business units to ensure their continued attention to implementation of the best international business practices.

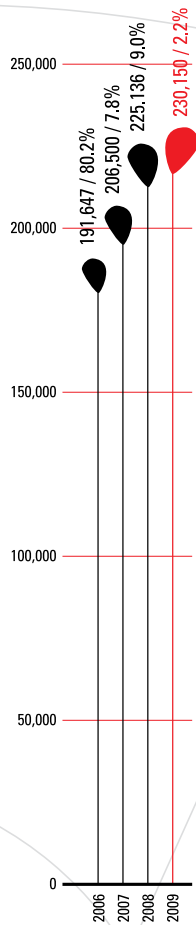
Looking to the future, all is far from clear as concerns prevail about the international business climate suffering from increasingly difficult times as economies face the possibility of deep recession. To an extent, our diversity offers some protection as does our attention to high standards and quality and our active pursuit of business from both existing and new customers in both our customary markets and elsewhere. This gives us every confidence as we move forward into 2010 that we will successfully derive benefit from whatever business opportunities are available.

In conclusion, I would like to thank my fellow Board Members for their effective contributions in guiding and managing the company, and special appreciation to the management of Zamil Industrial and all its employees for their devotion and determination to pursue the company mission, undiscouraged by the difficult conditions and the huge challenges.

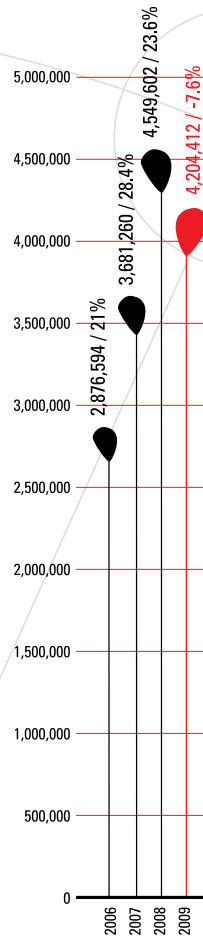
With much optimism, I look forward to greater achievements in the future by this successful industrial firm, which has become a source of pride for all of us.

**Dr. Abdulrahman
Abdullah Al Zamil**
Chairman of the Board

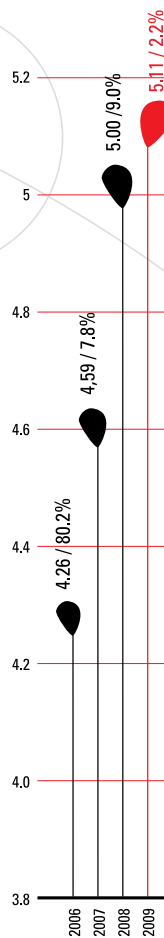
FINANCIAL HIGHLIGHTS



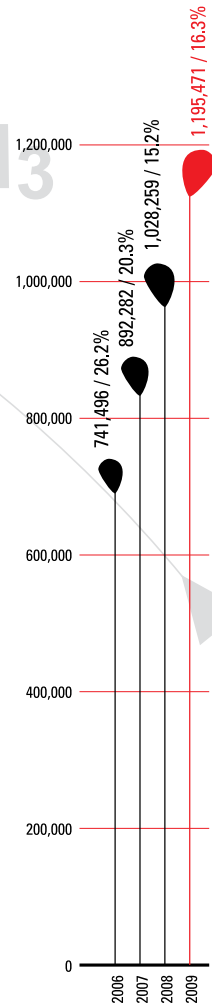
Net Profits
SAR 000
% increase



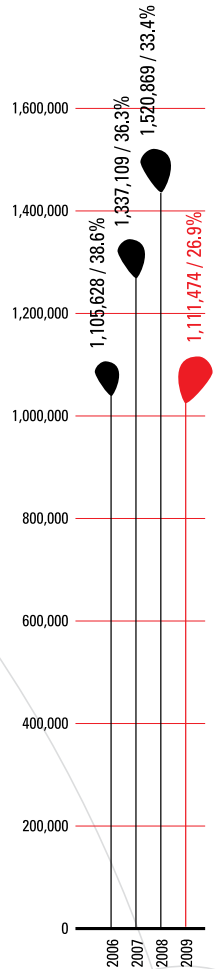
Revenues
SAR 000
% increase



Earnings per Share
SAR
% increase



Shareholders' Equity
SAR 000
% increase



Export Sales
SAR 000
% of Revenues

MANAGING DIRECTOR'S LETTER



Khalid A. Al Zamil
Managing Director

Dear Shareholders, Management and Staff,

2009 has been a difficult year for companies across the globe, a situation that Zamil Industrial has not been able to avoid. Whilst the Saudi economy was buoyed by the largest government spending in the country's history, the local private sector largely maintained a wait-and-see attitude to business and either canceled or postponed projects and business investment. Elsewhere around the world business levels were also well down on earlier years. Nevertheless Zamil Industrial weathered the storm successfully, producing higher net profits than a year earlier whilst continuing to pursue its strategic development program.

All our core businesses, namely Zamil Steel, Zamil Air Conditioners and Arabian Fiberglass Insulation Co. Ltd. (AFICO), evidenced growth

and increased levels of revenue. Our new businesses, Zamil Steel's Building Components Solutions Division, Zamil Hudson, Armacell Zamil Middle East Co. and Zamil New Delhi Infrastructure Pvt. Ltd., all made good starts in their first productive year and are well-placed for future success.

Together, our businesses produced a combined turnover of SAR4,204.4 million (USD1,121 million), a decrease of 7.6% over 2008, which itself saw revenue growth of 24%.

In the light of our attainments during what has been a far from easy year, I am very pleased to be able to congratulate every member of our team, be he a senior manager, an engineer or an employee of one of our subsidiaries, for his hard work, dedication to the task at hand and commitment to Zamil Industrial, without which we would not have been as successful.

Integral to our company's long term strategic plan six new companies were formed, several new factories commenced production and other factories implemented assembly of new

Zamil Industrial weathered the storm successfully

machinery and equipment in 2009.

All of these businesses provide new opportunities for Zamil Industrial by diversifying our business base and broadening the areas of expertise we are able to bring to global markets with the ultimate aim of adding to our bottom line in the years to come.

Petro-Chem Zamil Co. was formed this year as a joint venture with Petro-Chem Development of the USA to produce fired heaters (process furnaces) products for use in the oil and gas industries in Saudi Arabia.

Zamil New Delhi Infrastructure Private Ltd., is another joint venture, on this occasion with New Delhi Tele-Towers Private of Delhi, India. The company commenced its activities in February providing infrastructure, managed services and energy solutions to the burgeoning telecommunications sector in India and overseas from factories in India and Saudi Arabia.

Four other companies remain under formation but will be owned

100% by Zamil Industrial. These are Building Component Company, Eastern District Cooling Company and Arabian Stonewool Company, all to be established in Saudi Arabia, and Zamil Air Conditioners & Refrigeration Services Company Abu Dhabi, which is to be based in the United Arab Emirates.

Factory upgrading was undertaken by several group businesses. These included a new blast furnace at Zamil Steel - Structured Steel Division; deck accessories and machines and roof deck profiles for Canam Asia in Ras Al Khaimah; and a new post-weld heat furnace for Zamil Steel – Process Equipment Division. Additionally, Zamil Steel opened a new division, Building Components Solutions, to produce sandwich panels; Arabian Fiberglass Insulation Co. (AFICO) continued construction of its new 20,000MT glass wool plant ready for start-up in 2010; Armacell Zamil Middle East Co. commissioned machinery, commenced production and undertook production trials ready for commercial production in the coming year; and Ranco



Zamil started production at its new hollow core factory in November while pursuing installation of new batching and mixing plants and construction of a new precast elements plant, all of which are expected to be in full production next year.

This breadth and depth of activity serves to strengthen our company's capabilities across several sectors whilst raising our profile yet further in front of our customers in Saudi Arabia and worldwide.

Khalid Abdullah Al Zamil
Managing Director

BUSINESS OPERATIONS REVIEW

Steel Sector

BUILDING PRODUCTS GROUP

Zamil Steel – Pre-Engineered Buildings (PEB)

Pre-Engineered Buildings (PEB) Division, Dammam, Saudi Arabia is the largest division in Zamil Steel, specializing in low-rise, pre-engineered buildings for multiple purposes.

In 2009 both production and sales evidenced steady growth whilst a substantial reduction was made in the raw materials inventory. Together these made a positive impact on the division's bottom line. The year also saw two new items added to the product portfolio; MAXSeam roof panels and ZW wall panels.

In pursuing its activities PEB enjoyed considerable success in the award of contracts. The largest of these in Saudi Arabia included aircraft hangars, a food processing plant and buildings on the Princess Noura University Campus in Riyadh; a glass factory in Yanbu; a supermarket in Al Kharj; and a warehouse in Ras Az Zawr. Overseas major projects included warehouses in Bahrain; a glass factory and dairy plant in Jordan; a spinning mill in Bangladesh; and a canning plant in Syria.

To maintain the division's well-deserved leadership status in

its field certification was obtained from Deutsches Institut für Bautechnik (German Institute for Construction Engineering) as well as General Building Inspectorate Approval, the latter of which opens doors to opportunities across the European Union.

As the year ended PEB remained confident of further growth, especially in the light of the increased expenditure contemplated by the Saudi government in the national budget for 2010.

Zamil Steel India

In its first full year of production Zamil Steel India saw its revenues grow by 119 percent despite sales to its export markets falling, largely due to the global economic downturn. The company was



119% revenue growth in India

Zamil Steel Egypt

The global economic downturn has impacted adversely on Zamil Steel Egypt's overseas business and although domestic business saw growth, both the company's sales and revenues declined during the year. Domestically, due to the general stability of the Egyptian economy and implementation of the government's development policies, many projects continued to be implemented and so the company was able to increase sales in its home market by 25.4% year-on-year.

The number of projects commissioned by the company in 2009 totaled 304, 157 in Egypt and 147 in export markets. Of these the major projects were buildings for the German University in Egypt, supermarkets for an international company entering the local market, a factory for an Indian company to produce flexible packaging, aviation facilities for an airline and a paint factory, the latter in Morocco.

successful, however, in reducing financial charges, especially in terms of customs duties and ancillary costs.

During 2009 the company was awarded 135 projects comprising 183 buildings, the end use of which included a power plant, multi-level parking facilities, factories and warehouses. Of these, 26 projects exceeded 200MT with the largest being for 3,470MT. This level of business enabled the company to raise its average monthly production more than threefold to 973MT, comprising both pre-engineered buildings and towers.

To enhance its stature in the market place the company sought and obtained ISO 9001:2008 ABS quality certification. FM global approval was received also for the company's MAXSEAM standing beam metal roof systems as Class 1 roofing panels. With these in place, the level of production continuing to increase and the Indian and regional economies stabilizing and again beginning to grow, Zamil Steel India looks to the future with confidence.



The company upgraded its quality certification to ISO 9001:2008 which, allied to a three year protocol of cooperation with the German University, on-going negotiations with the newly-arrived supermarket company for further buildings as well as other new contracts being pursued, provide Zamil Steel Egypt with increased confidence for business growth in 2010.

Zamil Steel Vietnam

2009 has proved a difficult twelve months for Zamil Steel Vietnam with a marked decline in business generated in both its domestic market and overseas. This situation has impacted markedly on production, which was down to 28% to 34,479MT from 47,927MT a year earlier.

Nevertheless, substantial projects have been undertaken not only in Vietnam but also in Indonesia, Myanmar, Malaysia, the Philippines, Thailand and Afghanistan. The largest of these was for a cold rolling mill in Malaysia to which 14,129MT of structural steel products were supplied. Other large projects included factories, warehouses, a marketing center, a hotel and aircraft hangars.

In Vietnam the company enjoys considerable respect as evidenced by the awards and certificates received during the year. These comprised the “Reliable Exporter Award”, the “Golden Dragon Award 2009 for the Best Product (Construction and Construction Materials)” and the “Vietnam Golden FDI 2009” award. Additionally the company received a certificate from the Hanoi People’s Committee for “The Main Industrial Product of Hanoi 2009”.

The economic environment in South East Asia remains far from easy but Zamil Steel Vietnam remains optimistic about prospects for 2010 at home and in its traditional export markets.

Canam Asia Ltd.

In 2009 Canam Asia, Dammam, Saudi Arabia experienced not only an increase of 33.8% in production over the previous year but also succeeded in increasing export sales by 16% year-on-year. Despite this revenues declined due to a significant demand for lower pricing in the markets served even though raw material prices fell simultaneously.

During the year Canam Asia succeeded in entering the Djibouti market for the first time whilst deriving yet further business from Qatar and at home in Saudi Arabia.



In Doha, Qatar, the company supplied decking to the second phase of the new airport and to the Qatar Foundation and joists and decking to the Amphitheater, the Al Faisal and Arwa Towers. In Saudi Arabia decking was sold to the Princess Noura University in Riyadh, curved girders were supplied to Jeddah and Riyadh airports for use in hangars and

work was completed on the Dareen Mall, a project initiated in 2007. Late in the year the company was awarded four towers (Information Technology Communications Complex - ITCC) in the King Abdullah Financial District (KAJD) in Riyadh.

Looking to increased competitiveness in the future the company purchased and installed two deck accessories machines and installed, commissioned and certified (UL) two new roof deck profiles with deep corrugation at its facility in Ras Al Khaimah, UAE; became technically and commercially independent of the Canam Group in Canada; reached an agreement with Global Engineering for the design and detailing of special joists projects; and obtained product certification

from the Saudi Ministry of Education for schools' sports halls and covered areas. These, allied to the company having the only UL certification for deck manufactured in the Middle East, ensure Canam Asia is well-positioned to take full advantage of opportunities as they arise across the region.

Zamil Steel – Building Components Solutions (BCOMS)

2009 was Building Components Solutions (BCOMS) first year of operation, during which it commenced commercial production of sandwich panels. Since start-up the division has become a key supplier of sandwich panels in Saudi Arabia as well as elsewhere in the GCC. Clients have included Arabian Bemco Contracting Co. Ltd. (BEMCO) for a power plant in Riyadh; Samsung Co. for the Maaden Ammonia Project in Ras az Zour; and Tekfen for the Maaden Phosphoric Acid Plant at the same location.

Protection of the environment is important to BCOMS and so the award of the Presidency of Metrology and Environment's compliance certificate was particularly valued not least because the country's environmental laws are more likely to be tightened.



INDUSTRIAL STEEL PRODUCTS GROUP

Zamil Steel – Structural Steel Division (SSD)

2009 proved to be a good year for the Structural Steel Division (SSD) especially in the division's export markets where business doubled over that attained a year earlier. Revenues also increased year-on-year by 15.4% due mainly



to an increase in sales prices and erection income.

Of particular note has been the division's successes in Algeria and Syria, in both of which projects were won for the first time. The project in Algeria involves the supply of over 14,000MT of structural steel for a third gas liquefaction plant for Sonatrach, a leading global natural gas producer, whilst the Syrian project involves the supply of 6,000MT of structural steel to two major projects being implemented by Petrofac of the UAE.

In its domestic market SSD was awarded two major structural steel supply contracts, both for Saudi Aramco, totaling 11,000MT. The first of these was awarded early in the year for the Manifa Gas Facilities Project and the second was awarded in June for the Karan

New Zealand and Italy new export markets

Gas Facilities Project. In addition SSD became an approved vendor to Petro Rabigh.

In company, a second blast furnace was constructed to provide increased capacity and efficiency in blasting operations; a dedicated welding school was built to provide workshops, seminars and training for defect-free and safe welding operations; and new customer office facilities and a staff canteen were constructed.

In support of its activities the company successfully renewed its certification by the American Institute of Steel Construction for “Standards for Steel Building Structures” and for its OHSAS 18001:2007 standards.

Zamil Steel – Towers & Galvanizing Division (T&G)

This year Towers & Galvanizing Division (T&G) focused increasingly on export markets as activity in Saudi Arabia had slowed with jobs and tenders being either delayed or cancelled. The heightened attention to export resulted in their exports rising to 70% of all booked sales in 2010, nine times higher than a year earlier. Revenues also saw growth due largely to a higher level of shipments. However, production declined overall by almost 20% as customers delayed fabrication clearance in anticipation of being

able to negotiate price reductions.

Two new export markets were opened; in New Zealand, where 400KV lattice steel transmission line towers were supplied and tested for the North Island Grid Upgrade Project against strong competition from India and China, and in Italy, from where a small telecommunications tower contract was received.

Major projects awarded in 2009, in addition to that in New Zealand, included the supply of 400KV transmission line towers to Abu Dhabi and complete sub stations to ABB Group for the 400KV GCC interconnection.

A new galvanizing plant with a design capacity of 54,000MT a year was under installation at the year end with commercial operation set for April 2010.

The division also sought and obtained re-approval as a vendor to Saudi Aramco and Saudi Telecom Co. (STC) whilst attaining approved vendor status with BCTC, Hydro One of Canada, Babcock of the United Kingdom, Transco of Abu Dhabi, Iberdrola and Techint Groups of Spain, and Petroleum Development Oman (PDO) in Oman. The division also received quality certification from the Testing Laboratory of Equipment and Materials (LAPEM) in Mexico and was re-certified to ISO 9001:2008.

T&G continues to seek new markets and as the year ended was exploring the possibility of obtaining project financing through the Saudi Fund for Development for project owners in those markets that are facing tough economic circumstances and are supported by the Fund.

Zamil Steel – Process Equipment Division (PED)

Process Equipment Division (PED) increased its revenues in 2009 by 19% over those attained the previous year, reflecting heightened sales to domestic entities such as Maaden Phosphate and Saline Water Conversion Corporation (SWCC). Production also rose, by 28%, with 5,204MT being shipped compared to 4,060MT in 2008. Export sales on the other hand diminished, due largely to the economic situation globally and to depreciation of the currency in Korea, an important market for the division.

Major projects awarded included the supply of 72 Surge Vessels for a consortium of Saudi Services for Electro-Mechanical Works Company and the Saline

Water Conversion Corporation (SWCC), amounting to 6,592MT, and two water and oil separator drums for JGC Corporation-Saudi Aramco, totaling 771MT.

A new post weld heat treatment furnace was installed and was already evidencing cost savings by the year end. The furnace is the largest in the Middle East.

During the year, ISO 9001:2008 certification was attained, a new joint venture was formed with Petro-Chem of the USA to produce fired heaters (process furnaces) products, and Zamil Inspection and Maintenance of Industrial Projects Co. (ZIMIPCO) was established.

HVAC Sector

The companies in the HVAC sector successfully navigated difficult market conditions over the past year and evidenced business growth across all sectors. The year has seen a number of new product launches by all of Consumer, Unitary & Applied, and Chiller product groups whilst an automated inspection system was installed by quality management to enhance process control while reducing the time and cost of inspections.

The Unitary and Applied Business Unit at Zamil Air Conditioners grew only marginally



in revenue terms in 2009 but nevertheless by the year end had a healthy order book.

Major orders during the year included those for the Dhahran Mall, Yanbu Petrochemical Complex, the Royal Commission for Jubail and Yanbu in Jubail, the Gizan Hospital, Umm AlQura University, Shoaiba Steam Power Plant Stage III and the Princess Noura University in Riyadh.

The Consumer Business Unit, following a repositioning strategy, grew by 15% in revenue terms and succeeded in making healthy gains on the bottom line.

Several major orders for room air-conditioners were received from Iran, including those from APS-Iran, Majed Ameri Group, a distributor of Zamil Air Conditioners systems in Iran. Two other large orders were received from the Ministry of Education in Riyadh.

Zamil Air Conditioners has upgraded its certification to ISO 9001:2008 during the year and has renewed its Eurovent certificate for Air Handling Units (AHUs) through to 2012 and its UL certification for the Chiller Group's ASY series air-cooled water chillers.

Zamil CoolCare grew 25% overall in 2009 largely on the back of two major contracts; an EPC contract for Hadeed, the SABIC-owned steel plant in Jubail, and a retrofit contract for Saudi Aramco's Safaniyah project.

Evidence of the quality of CoolCare's activities was receipt of the "Best Contractor 2009" award from Saudi Electricity Company and



a letter of special appreciation from Saudi Aramco for "Excellent service in supply and execution at King Abdullah University of Science and Technology (KAUST)".

Geoclima, based in Italy, succeeded in attaining 21% growth in revenues in 2009.

Of particular note was receipt by the company of two awards; "Environmental Pioneer: Air

Conditioning" and "Environmental Collaboration of the Year" for developing the Turbomiser, an environmentally-friendly and energy conserving chiller series.

In its first year of operation, Zamil Hudson executed its first order, for Pakistan Petroleum, whilst also becoming an approved vendor to Saudi Aramco for air-cooled heat exchangers.



Glass Sector

Detailed attention was given during 2009 to cost control in Zamil Glass with the net result the company succeeded in improving its bottom-line by 48% despite experiencing a fall in revenues of 8% over the previous year. Export sales also declined, by 9.7%, but total production rose to 445,000 square meters from 427,000 square meters a year earlier.

Major projects won or commissioned included two for Saudi Aramco, two towers and a township in Kuwait, a tower in Qatar, a mall in Jubail, the King Fahd Hospital in Riyadh, the United Tower in Jeddah and two private residences in the Eastern Province.

In support of the company's activities, Cardinal Glass Industries' certification was obtained for soft coating low-e processing.

that lost elsewhere. The net result was a 15.5% increase in gross sales and slight growth in net profit over that attained in 2008.

Integral to these results was an increase in sales to GCC markets of 36% year-on-year, a direct result of focusing the company's activities on those markets, but not to the detriment of other markets where a foothold was maintained. This policy, allied to the production of more value-added products, resulted in only a small rise in production of 2.5%.

Major projects undertaken included King Abdullah University of Science and Technology (KAUST) and King Abdullah Economic City outside Jeddah, to which HVAC insulation was supplied; the Qatar Financial and World Trade Center and the Abu Dhabi AlWarkah

Insulation Sector

Arabian Fiberglass Insulation Company Ltd (AFICO)

Arabian Fiberglass Insulation Company Ltd. (AFICO) started 2009 with a very strong, secured orders backlog, particularly from Dubai. In the event many projects were canceled but the company proved successful in generating new business from Abu Dhabi and Qatar that more than compensated for

Zamil Glass bottom-line improved by 48%

Hospital, where mechanical HVA insulation was provided; and the Al Abdeli / Boulevard Residential and Financial District in Amman, Jordan, for which AFICO provided both HVA mechanical and architectural insulation products.

During the year considerable progress was made towards implementation of a new 20,000 metric ton glass wool plant to be built in the Dammam Second Industrial City.

IMS certification was received from TÜV-Germany. This is an integrated management system unique in the Middle East combining all three ISO certifications – quality 9001, environment 14001 and health and safety OHSAS 18001. This is a commitment by AFICO to provide customers with quality products

and services; to ensure a clean environment, for which compliance certification was also received from the Saudi Presidency of Metrology and Environment; and to maintain a safe and healthy workplace for employees.

Armacell Zamil Middle East Company Ltd (AZMEC)

In 2009 Armacell Zamil Middle East Co. (AZMEC) initiated commissioning of all machinery and production trials of its technical rubber insulation materials. Concurrently approval was sought and obtained as a vendor to projects at King Khalid University, the Princess Noura University and at SABIC and Saudi Aramco. Certification was also sought to obtain ISO 9001:2008, as were FM and UL approvals. The process of



implementing ISO 14000 was on-going as well.

Although full commercial production of the existing plant commences only in 2010, consideration is being given already to a second AZMEC manufacturing facility for finalization in 2011.

Concrete Sector

Rabiah & Nassar and Zamil Concrete Industries Co. Ltd (Ranco Zamil)

Rabiah & Nassar and Zamil Concrete Industries Co. Ltd. (Ranco Zamil) was formed to provide high value construction solutions using the latest concrete technology.

The company saw limited overall revenue growth in what was a difficult year, with business falling away in the second and third quarters only to begin slowly to increase again towards the year end.

Major orders during the year included those for the Najran University, Qassim University, King Saud University and King Saud University Hospital in Riyadh, a bookstore in Hofuf and three orders for the PP10 power plant project in Riyadh.

Looking to the future the company started production at its new hollow core factory in November, whilst installing a higher capacity batching and mixing plant with a systemized concrete distribution system that is expected to be ready for operation in the second quarter of the coming year. Construction of a new pre-cast elements factory that will utilize a systemized carousel production system was also on schedule.

Saudi Aerated Concrete Industries Co. Ltd (Saudi-ACICO)

Saudi Aerated Concrete Industries Co.Ltd (Saudi-ACICO) is a joint venture with Zamil Group Holding Company of Saudi Arabia and Aerated Concrete Industries Company of Kuwait to produce heavy duty, light weight building units of reinforced and non-reinforced concrete at Jubail, Saudi Arabia.

2009 was the company's first year in operation during which it attained full capacity on its block line whilst completing and initiating production on its reinforcement line and the inter-related treatment plant.

Saudi-ACICO sought overseas markets in Iraq and Bahrain during the year whilst continuing to pursue opportunities domestically. The net result by the year end was success



in attaining three projects in Saudi Arabia: the Masaken project (48 villas) at Aziziah, Al Khobar; The Prince Mohamed bin Fahd project (200 villas) in Gizan; and high rise building projects for the Royal Commission for Jubail and Yanbu in Jubail.

To enhance the company's potential for obtaining business, ISO 9001 certification is being

sought to add to the approval already attained from the Royal Commission for Jubail and Yanbu and the Saudi Arabian Standards Organization.

Other Businesses

Energy Central Company (ECC)

Energy Central Co. (ECC) undertook a comprehensive review of its business model in 2009 resulting in restructuring and a sharpening of the focus of the company's activities. In so doing the company also initiated a program for obtaining carbon credits for its projects.

The company's existing project, the Durrat Reverse Osmosis plant, progressed according to schedule, with commissioning of the first RO module being achieved on time. At the same time negotiations

progressed to an advanced stage on the MODON project, a major District Cooling plant using chilled water, based in Dammam Second Industrial City, that belongs to the Saudi Industrial Property Authority.

Zamil New Delhi Infrastructure Pvt Ltd (ZNDIP)

Zamil New Delhi Infrastructure Pvt Ltd. (ZNDIP), which is involved in infrastructure, managed services and energy solutions in the telecommunications sector, started commercial operations in February, since when there has been steady revenue growth, to which exports contributed 25%.

During its eleven months of operation the company has started production of Zamil Energy Saver air conditioners, designed and started production of its own in-house power management system and assembled a unit for dual chamber air conditioners with a built-in free cooling unit. Furthermore, the company has installed over 1,000 telecommunications sites and carved a niche for its site management solutions, such as its Tower Operations Center, that provides considerable operational expenditure advantages for telecommunications operators.

Major projects have included the provision of turnkey services to Spice in Nepal and a turnkey

energy management system for 350 sites across Asia; the supply of Zamil Energy Saver air conditioners to Etisalat in the UAE; the supply and installation of a tower, shelter, air conditioners and a power management system for IDEA; and the implementation of a complete turnkey project of 200 sites for Aircel.

All ZNDIP products comply with international standards for the telecommunications industry. In-house products are TEC (Telecoms Engineering Center of the Ministry of Communications) certified and towers are SERC (Structural Engineering Research Center) and IIT (Indian Institute of Technology) certified.

As the year ended new markets were being explored in Nigeria and elsewhere in Africa and working level arrangements were being put in hand with telemetry solution providers and intelligent chip IC manufacturers for the company's tower operations centers.

CORPORATE & SHARED SERVICES REVIEW

Introduction

Corporate and Shared Services had another very busy year pursuing effective implementation of all those administrative, operational and support services wholly integral to the smooth running of the many companies within Zamil Industrial.

Internal Audit

Zamil Industrial recognizes the need for a strong, internal procedural system that responds fully to the demands of the industries and businesses in which it is involved, whilst maintaining a firm control over business activities as a whole. In 2009 Internal Audit Department, which was introduced a year earlier, has sought assiduously to help all areas of the company to improve

their internal control environments and to maximize the utilization of corporate resources.

In pursuing these activities approaching 90 audit assignments were conducted which found that, whilst the Company's and its subsidiaries' internal controls were largely adequate and effective, some recommendations needed to be made in order to improve internal controls and risk management.

Internal Audit also provides support in ensuring proper corporate governance, protecting shareholders interests and ensuring that the parent and subsidiary companies are managed in a transparent manner. To these ends Internal Audit conducts a comprehensive review at least once a year of the effectiveness of all internal financial, operational and compliance controls.

Corporate Human Resources

2009 has seen Zamil Industrial's Human Resources Department (HR) consolidate and validate its programs whilst focusing its activities on three main areas: the introduction of development programs that address current and future business requirements; the maintenance of existing programs in pursuit of operational excellence; and

the facilitation of cultural change throughout the company as business grows and diversifies.

Recruitment

The recruitment function has been restructured, strengthening the working relationship with all business units in addressing their manpower requirements. A key achievement has been accelerating the turnaround time for filling vacancies by improving operational efficiency. This means focusing major campaigns in those industrial hubs where the required skills are available; introducing an on-line application capability; undertaking remote video interviewing; and eliminating job advertisements through the increased use of recruitment agents and executive search consultants in pre-defined

More than 560 new Saudi recruits in 2009

markets. In 2009 a total of 1,383 employees have been recruited within Zamil Industrial business sectors of which 565 are Saudi nationals.



Performance Management

Initiatives taken this year in the enhancement of an already highly-regarded performance management system have included documenting strategically-aligned “Key Result Areas” and “Key Performance Indicators” for senior management and the PEDP system interface for setting employee targets at the beginning of the year. Better methodology was introduced as well to assist in identifying training needs.

The Zamil Industrial Achievers’ Club was launched during the year honoring more than 1,800 employees with certificates and ribbons recognizing their achievements. The Club aims to institutionalize performance recognition at both departmental and business unit level. To assist under-achievers a performance improvement plan was introduced. Better methodology for identifying training needs was also incorporated into the system.



Systems, Processes and Documentation

HR internal communications were improved when a new quarterly newsletter “High Risers” was launched as a resource for keeping employees informed about HR programs; for providing informative, educational and other articles of relevance, especially those on self-improvement and the work-life balance; and as a forum for employees’ questions, responses and feedback on their progress.



The HR Helpdesk is another initiative taken which is designed to provide an electronic medium for employees to raise questions about their status and policies and procedures. The HR Policies and Procedures Manual was revised and reintroduced in a single volume, to be followed-up in the coming year by a related communications program allowing for on-going review of all policies as well as better promoting employee welfare.

Compensation and Benefits

The Job Description Inventory and Update was completed for the major business units in Zamil Industrial thus completing a vital element of the compensation and benefits program. The related Job Evaluation Exercise was launched for HVAC and will be extended to Zamil Steel in 2010. This will enable recalibration of the relative value of jobs across the company and will help HR focus on strategic jobs and those measures required by way of recruitment, performance management and career development.

Training

Training is widely considered to be essential for all new recruits and existing employees, including managers, supervisors and engineers for whom specialized programs are provided. To enable enhancement of the level of training a new Zamil Industrial Training Institute is under construction for completion during the second quarter of the coming year, whilst action is being taken to obtain accreditation from well-known UK colleges and institutes for the Institute's vocational training programs.

150 Saudi employees underwent 4-6 month skills and knowledge training in 2009, leading to certificates in one of welding technology, fabrication technology, machine operation or refrigeration and air conditioning technology. Integral to this training were several common subjects amongst which were workshop calculation, English language, work ethics, safety and technical drawing,

150 Saudi employees underwent 4-6 month training in 2009

which together enhance the value of the training whilst preparing each trainee to be effective in the working environment. A further 544 employees attended short, specialized training courses bringing the total number of employees participating in training in 2009 to 694, of whom 343 were Saudi nationals.

The Training Institute also plays an important role in Community Service. During the year 70 students from Saudi colleges and universities attended structured, on-the-job and cooperative training programs; other students from local universities and colleges participated in tours of the air conditioning and steel industries' facilities to help them correlate their theoretical studies with real industrial work; and 60 secondary

students participated in a two month summer training program that sought to improve their English language communication and computer applications skills. Zamil Industrial sees such community service as a vital element in preparing Saudi youth for taking up employment on completion of their studies.



Information Technology

Information Technology Global (ITG) is the Company's IT operations business unit providing integrated IT services to enterprise systems of internal and external customers of Zamil Industrial.

In 2008 ITG was awarded ISO/IEC 20000-1:2005 certification valid through to the beginning of April 2011. This year an annual ITSM audit of the certification was completed successfully, confirming a high level of commitment to business integrity and security and to on-going quality improvement within ITG.

Many internal and external projects were undertaken in 2009 including implementation of:

specialized software for AFICO enabling automated and real-time visualization of equipment downtime and efficiency; a call center module for CoolCare; a source code management system for Zamil Industrial ITG for monitoring in-house program changes; a TSD support system for Zamil Steel Technical Services Division; and Human Resource

‘Social Responsibility Award 2009’ in Vietnam



Management Systems and iSweet applications for Zamil Hudson and Armacell Zamil Middle East Company. Furthermore, connectivity was established for Egypt's and Vietnam's infrastructure enabling them to join Zamil Industrial ITG's common infrastructure seamlessly, whilst a substantial number of other applications, process improvements, enhancements and program developments were implemented across all Zamil Industrial companies.

Of special note in October was the receipt by Zamil Industrial of the prized award for "Energy and Utilities Implementation of the Year" at the ACN Arab Technology Awards 2009, the most prestigious IT industry awards in the Middle East that seek to raise the profile of the IT industry and to recognize the region's best enterprises and their use of Information Technology.

Loss Prevention and Safety

Zamil Industrial's Loss Prevention Department today oversees all aspects of safety, health, the environment, fire protection and prevention and security. A major element of the department's role is to increase awareness of these matters across all sectors of the business both in Saudi Arabia and overseas.

Significant progress was made during 2009 in reducing the frequency and severity of accidents and in improving the safety, health and environment rate throughout the company. Such success has in large part been due to pursuit of compliance by all Zamil Industrial businesses with local fire and environmental regulations and requirements.

Significant events during the year were the emergency assistance provided in evacuating 100 employees from a toxic gas release and the protection provided to corporate assets at a major external fire.

Corporate Services – Business Development

Business Development has been closely involved with three new projects: creation of a new joint venture with Petro-Chem Development Co of the USA, Petro-Chem Zamil Co. Ltd, that will produce fired heaters (process furnaces); planning of AFICO's second fiber insulation plant; and initiation of the planning process for Arabian Stonewool Insulation Co. (ASICO), a new project to be owned 100% by Zamil Industrial.



Corporate Services – Legal Affairs

Legal Affairs had a considerable workload over the twelve months obtaining copyright certification for Zamil Steel engineering software and technical documents and manual; acquiring a permanent license for Ikhtebair, Zamil Industrial's climate control laboratory, from the Saudi Arabian Standards Organization (SASO); assisting in the formation of four new companies – Building Components Company, Eastern District Cooling Company, Zamil Air Conditioners and Refrigeration Services Company Abu Dhabi Limited and Arabian Stonewool Insulation Company; and assisting in the processing of Petro-Chem Zamil Company Ltd's legal formalities with the Saudi Arabian General Investment Authority (SAGIA).

A further role fulfilled by Legal Affairs was liaison with the Saudi Industrial Development Fund (SIDF) on behalf of Zamil Industrial companies seeking funding for new and existing projects.

Corporate Social Responsibility

Zamil Industrial is a responsible corporate citizen serving the communities in which it works by employing local people and by making philanthropic donations. Of particular note is Zamil Steel Vietnam, which received the "Social Responsibility Award 2009" for best corporate social responsibility performance from the Vietnam Chamber of Commerce and Industry in coordination with a number of local ministries.

Other businesses also played their part to the full, including Zamil Steel Egypt, which made donations to both Cairo and Ain Shams Universities as contributions towards the construction of laboratories; Zamil Steel's Industrial Steel Products Group introduced upgraded

environmental facilities to ensure compliance with anticipated upgrading of the environmental laws in Saudi Arabia; Arabian Fiberglass Insulation Co. made a commitment to employees, consumers and community health by setting-up a quality, health, environment, safety, security and loss prevention department; Zamil New Delhi Infrastructure Private Ltd., evidenced its environmental credentials by encouraging customers to conserve energy whilst addressing their carbon credit responsibilities; and Zamil Steel Structural Steel Division attained ISO 14001:2004 and OHSAS 18001:2007 standards in international environmental, health and safety management and eliminated work-related illness by implementing compulsory

occupational health checks for all employees.

Of special note is Energy Central Company in Bahrain, an environmentally friendly business that reduces carbon emissions that qualify for carbon credits under the Kyoto Protocol.

Localization of Zamil Industrial workforces in all those countries where a presence is maintained is encouraged to ensure a meaningful social contribution to local communities. Detailed attention is given also to the environment by all Zamil Industrial businesses which commit to minimization of their environmental impact.

Social engagement is a prominent feature of the Company's philosophy. Accordingly during the year Zamil Industrial was a Gold Sponsor of the "2009 Local

Content Forum: Opportunities and Challenges" organized by Asharqia Chamber of Commerce and Industry in Dammam with the objective of increasing the national component of all projects, technology and human resources. Employees of the Company's businesses also played a role in social cooperation by donating blood in Dammam and by participating in sports events in Dammam and Riyadh.

In cooperation with the Regional Blood Bank in Dammam, Zamil Industrial organized and conducted a special blood donation campaign in November 2009 at the Zamil Steel factory in Dammam First Industrial City. The event received an overwhelming response from all employees of the company, and was pronounced an unqualified success. More than 150 employees participated and donated blood in this campaign, reflecting the high level of commitment of Zamil Industrial and its employees to the company's core values.

Also, 2009 witnessed the launch of the second major sports fest, Zamil Industrial SportsFest 2009, involving all major business units in competitive events such as basketball, football, volleyball and cricket. This event aims at strengthening the sense of community among employees across the business units.

Special certificate of 'Royal Appreciation and Approval'

In pursuing its many activities Zamil Industrial has sought always to maintain a leadership position whilst affirming its role as a conscientious member of the global community. In an ever-changing, often difficult and increasingly competitive market place vigilance and self-examination by all sectors of the business evidence dedication to excellence and commitment to the highest ethical standards. Pursuit of such principles, allied to sustained commitment to the Company's stakeholders, be they shareholders, management, employees, highly valued customers or the many communities amongst which Zamil Industrial operates around the world, assure future success, growth and leadership.

Recognition

Dr. Abdulrahman A. Al Zamil, Chairman of the Board, received on behalf of Zamil Industrial a special certificate of Royal Appreciation and Approval from the Custodian of the Two Holy Mosques, King Abdullah bin Abdulaziz Al Saud in honor of Zamil Industrial's membership of the Strategic Partnership Project, a joint venture between the private sector and the General Organization for Technical Education and Vocational Training.

A special recognition award was also received from the Minister of Water and Electricity for the Company's Platinum Sponsorship of the Conference on Water Desalination in Arab Countries. Additionally, the Company attained second place in the Saudi



Responsible Competitiveness Index Award at the 2009 Global Competitiveness Forum in Riyadh, an award confirming Zamil Industrial's ongoing attention to ethical business practices and highlights its championing of responsible and competitive business practices amongst Saudi companies.

BUSINESS PROFILE – CORPORATE OVERVIEW

Overview

Founded in 1998 and headquartered in Dammam, Saudi Arabia, Zamil Industrial Investment Company (Zamil Industrial) is a leading manufacturing and fabrication group that provides products, engineering systems and services to the construction industry. The Company's product portfolio includes pre-engineered steel buildings (PEB), structural steel products, air conditioning systems, air cooled heat exchangers, district cooling and utility services, process equipment, transmission and telecom towers, open web joists and steel decks, process furnace products, aerated and precast concrete products, architectural glass processing, fiberglass insulation and engineered plastic foam solutions.

Zamil Industrial employs more than 10,000 people in 55 countries; derives 34% of its revenues from outside Saudi Arabia; sells products to over 60 countries; and has manufacturing facilities in Saudi Arabia, the United Arab Emirates, Egypt, Austria, India, Vietnam and Italy.

Zamil Industrial shares are actively traded on the Saudi Stock Exchange (Tadawul). Further information may be found at www.zamilindustrial.com.

Operations

Zamil Industrial operates through five major sectors – Steel, HVAC, Glass, Insulation Materials, and Concrete - in addition to its other businesses, in each of which are a number of subsidiary companies.

Steel

Zamil Steel Industries: A global leader in the manufacture of pre-engineered steel buildings and the premier supplier in the Middle East of structural steel products and process equipment, transmission and telecommunications towers, open web steel joists and roof and floor steel decks. Factories are located in Saudi Arabia, Egypt, Vietnam, India and the UAE.



Canam Asia Ltd: A joint venture with Steel Plus Limited, a subsidiary of Canam Group, Canada to produce steel joists and structural steel components in Dammam, Saudi Arabia.

Petro-Chem Zamil: A joint venture with Petro-Chem Development Company of the USA to produce fired heater (process furnace) products in Dammam, Saudi Arabia.



HVAC

Zamil Air Conditioners: A leading international manufacturer of air conditioning systems with factories in Saudi Arabia, India and Italy.

Middle East Air Conditioners Ltd: A joint venture with General Electric to produce GE brand window, mini split and ducted split air conditioners in Saudi Arabia.

Zamil Hudson Company Ltd: A joint venture with Hudson Products Corporation of the USA to manufacture, assemble and maintain air cooled heat exchangers in Dammam, Saudi Arabia.

Zamil Advantec Coils Ltd: A joint venture with Advantec

Coils Private Limited of India that combines a growing air conditioning manufacturer and an operator of a completely integrated manufacturing facility in India.

Zamil CoolCare: The region's premier air conditioning equipment service and maintenance provider, located in Dammam but with branches elsewhere in Saudi Arabia and in the GCC.

Ikhtebare (Climate Control Laboratory Testing): The first independent laboratory for testing climate control solutions in the Middle East.

Glass

Zamil Glass Industries: A prominent processor of architectural glass including tempered, heat strengthened, laminated, insulating, heat mirror

high performance and fire resistant glass in Dammam, Saudi Arabia.

Insulation Materials

Arabian Fiberglass Insulation Co.Ltd: A joint venture with Owens Corning of the USA to manufacture fiberglass products in Dammam, Saudi Arabia.

Armacell Zamil Middle East Co.Ltd: A joint venture with Armacell of Germany to produce engineered foams and flexible technical insulation materials in Dammam, Saudi Arabia.

Concrete

Rabiah & Nassar and Al Zamil Concrete Industries Company Limited: A joint venture with RANCO Precast, a subsidiary of Rabiah & Nassar Group to design, manufacture and erect precast



concrete buildings and other concrete-based products in Riyadh, Saudi Arabia.

Saudi Aerated Concrete Industries Co.Ltd: A joint venture with Zamil Group Holding Company and Aerated Concrete Industries Co.KSC of Kuwait to produce heavy duty, light weight building units of reinforced and non-reinforced concrete at Jubail, Saudi Arabia

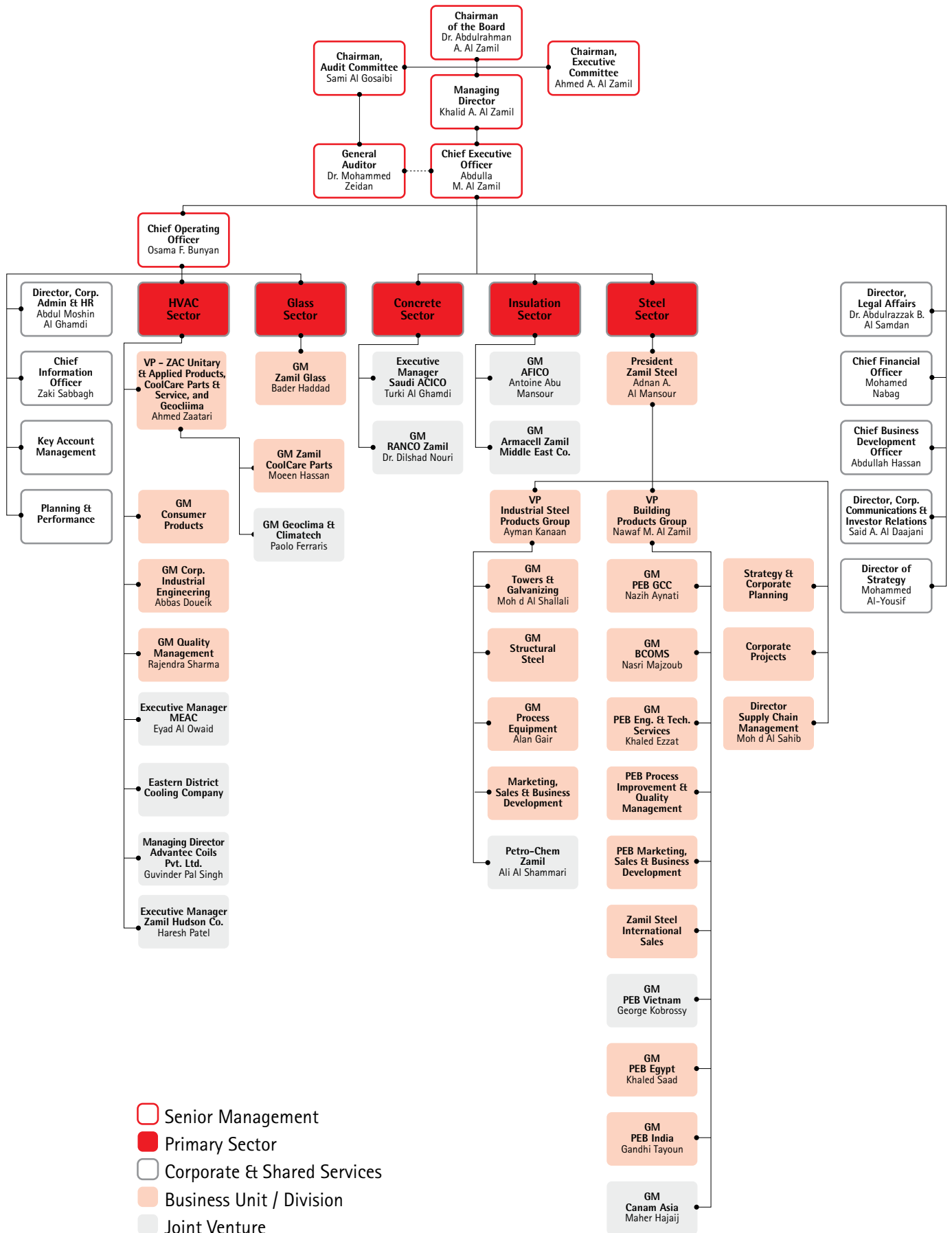
Other Businesses

Zamil New Delhi

Infrastructure Private Ltd: A joint venture with New Delhi Tele-Towers Private Ltd to supply galvanized telecom towers, shelters with sandwich panels and air conditioning equipment for use in the growing Indian telecommunications industry from factories in India and Saudi Arabia.

Energy Central Company: A multi-utilities services company offering complete utility solutions and efficient and reliable energy metered services across the GCC from its base in Bahrain.





Financial Report

**Zamil Industrial Investment Company (Saudi Joint Stock Company)
and subsidiaries Consolidated Financial Statements and
Auditors' Report Year Ended 31 December 2009**

Scope of Audit

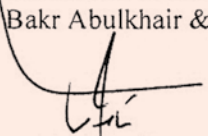
We have audited the consolidated balance sheet of Zamil Industrial Investment Company (Saudi Joint Stock Company) and Subsidiaries (note 1) as of 31 December 2009 and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and notes 1 to 29 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and Subsidiaries as of 31 December 2009 and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting standards appropriate to the nature of the Company and Subsidiaries, and comply with the relevant provisions of the Regulations for Companies and the articles of the Company and Subsidiaries as these relate to the preparation and presentation of these consolidated financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.


Nasser M. Al-Sagga
License No. 322
8 Rabi' I, 1431
February 22, 2010



CONSOLIDATED BALANCE SHEET
As at 31 December 2009

	Note	2009 SR 000	2008 SR 000
ASSETS EMPLOYED			
PROPERTY, PLANT AND EQUIPMENT	3	1,086,151	988,535
INVESTMENTS	4	245,624	265,600
GOODWILL	5	27,730	27,730
DEFERRED CHARGES	6	22,360	19,282
CURRENT ASSETS			
Inventories	7	1,510,354	2,341,187
Accounts receivable and prepayments	8	1,272,683	1,470,726
Amounts due from related parties and affiliates	9	144,286	55,767
Cash and cash equivalents	10	353,878	201,393
		3,281,201	4,069,073
CURRENT LIABILITIES			
Notes and accounts payable, accruals and provisions	11	839,342	906,502
Amounts due to related parties and affiliates	9	16,015	10,471
Advances from customers		321,111	346,149
Murabaha and Tawarruq finances	12	975,881	1,726,170
Short term loans	13	40,978	55,319
Current portion of term loans	17	240,068	115,451
		2,433,395	3,160,062
NET CURRENT ASSETS		847,806	909,011
		2,229,671	2,210,158
FUNDS EMPLOYED			
EQUITY			
Share capital	15,18	450,000	450,000
Statutory reserve	16	147,923	124,908
Retained earnings		388,903	401,268
Proposed cash dividends	18	67,500	67,500
Proposed stock dividends	18	150,000	-
Unrealized losses on investments		-	(5,020)
Translation loss on consolidation		(8,855)	(10,397)
		1,195,471	1,028,259
Minority interests	19	93,016	73,236
TOTAL EQUITY		1,288,487	1,101,495
NON CURRENT LIABILITIES			
Term loans	17	770,951	963,216
Long term payables		10,796	2,171
Employees' terminal benefits		159,437	143,276
		941,184	1,108,663
		2,229,671	2,210,158

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
Year Ended 31 December 2009

	Note	2009 SR 000	2008 SR 000
Net sales		4,204,412	4,549,602
Cost of sales		(3,279,512)	(3,584,021)
GROSS PROFIT		924,900	965,581
EXPENSES			
Selling and distribution	20	300,247	298,728
General and administration	21	289,869	317,685
Amortization of deferred charges	6	4,465	5,958
		594,581	622,371
INCOME FROM MAIN OPERATIONS		330,319	343,210
Other income	22	53,186	41,568
Financial charges	11,12,13,17	(91,735)	(116,793)
Share of losses of associates and subsidiaries, net	4	(8,510)	-
INCOME BEFORE ZAKAT, TAXES AND MINORITY INTERESTS		283,260	267,985
Foreign taxes		(4,323)	(3,991)
Net minority interests in results of subsidiaries		(17,618)	(23,008)
INCOME BEFORE ZAKAT		261,319	240,986
Zakat	14	31,169	15,850
NET INCOME FOR THE YEAR		230,150	225,136
Earnings per share	24	SR 5.11	SR 5.00
Earnings per share for continuing main operations	24	SR 5.11	SR 5.00

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended 31 December 2009

	Note	2009 SR 000	2008 SR 000
OPERATING ACTIVITIES			
Income before zakat, taxes and minority interests		283,260	267,985
Adjustments for:			
Depreciation		106,282	104,835
(Gain) loss on sale of property, plant and equipment		(397)	701
Company's share of losses in associates and subsidiaries, net		8,510	-
Amortization of deferred charges		4,713	5,958
Financial charges		91,735	116,793
		494,103	496,272
Changes in operating assets and liabilities:			
Inventories		830,833	(707,889)
Receivables		112,010	(370,808)
Payables		(96,885)	332,148
Cash from (used in) operations		1,340,061	(250,277)
Employees' terminal benefits, net		16,161	35,863
Financial charges paid		(91,735)	(116,793)
Zakat and foreign taxes paid		(12,919)	(10,780)
Net cash from (used in) operating activities		1,251,568	(341,987)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(180,198)	(298,960)
Proceeds from sale of property, plant and equipment		2,716	2,010
Deferred charges incurred		(9,942)	(4,293)
Investments acquired		(15,428)	(156,211)
Net cash used in investing activities		(202,852)	(457,454)
FINANCING ACTIVITIES			
Dividends paid		(67,500)	(67,500)
Term loans obtained		57,978	1,041,477
Repayment of term loans		(125,626)	(18,997)
Change in short term loans, Murabaha and Tawarruq finances		(764,630)	(137,818)
Minority interests, net		2,162	(12,943)
Net cash (used in) from financing activities		(897,616)	804,219
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		151,100	4,778
Movement in translation difference – net		201,393	186,726
		1,385	9,889
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
		353,878	201,393

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended 31 December 2009

	Share capital SR 000	Statutory reserve SR 000	Retained earnings SR 000	Proposed stock dividends SR 000	Proposed cash dividends SR 000	Unrealized (losses) gains investments SR 000	Translation loss on consolidation SR 000	Total SR 000
Balance at 31 December 2007	450,000	102,394	268,146	-	67,500	4,242	-	892,282
Net income for the year	-	-	225,136	-	-	-	-	225,136
Transfer to statutory reserve	-	22,514	(22,514)	-	-	-	-	-
Directors' remuneration	-	-	(2,000)	-	-	-	-	(2,000)
Dividends paid (note 18)	-	-	-	-	(67,500)	-	-	(67,500)
Proposed cash dividends (note 18)	-	-	(67,500)	-	67,500	-	-	-
Unrealized loss on investments	-	-	-	-	-	(9,262)	-	(9,262)
Movement during the year	-	-	-	-	-	-	(10,397)	(10,397)
Balance at 31 December 2008	450,000	124,908	401,268	-	67,500	(5,020)	(10,397)	1,028,259
Net income for the year	-	-	230,150	-	-	-	-	230,150
Transfer to statutory reserve	-	23,015	(23,015)	-	-	-	-	-
Directors' remuneration	-	-	(2,000)	-	-	-	-	(2,000)
Dividends paid (note 18)	-	-	-	-	(67,500)	-	-	(67,500)
Proposed stock dividends (note 18)	-	-	(150,000)	150,000	-	-	-	-
Proposed cash dividends (note 18)	-	-	(67,500)	-	67,500	-	-	-
Movement during the year	-	-	-	-	-	5,020	1,542	6,562
Balance at 31 December 2009	450,000	147,923	388,903	150,000	67,500	-	(8,855)	1,195,471

The attached notes 1 to 29 form part of these consolidated financial statements.

1. STATUS AND ACTIVITIES

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

The Company is registered in Saudi Arabia under Commercial Registration number 2050004215.

The consolidated financial statements include the financial statements of the company's head office, its branches and its subsidiaries as listed below:

Branches:

- Zamil Steel Industries, engaged in the manufacture and erection of steel buildings, transmission line towers, structural steel products, process equipment and sandwich panels.
- Zamil Air Conditioners, engaged in the manufacture and assembly of room and central air conditioners and other related activities.
- Zamil Glass Industries, engaged in the production of glass.

Subsidiaries:

	Ownership percentage
Universal Building Systems Limited - Jersey	100
Zamil Steel Buildings Company – Egypt	100
Zamil Steel Buildings (Shanghai) Company Limited - China	100
Zamil Steel, Polska – Poland	100
Cooline Europe Holdings GmbH- Austria	100
Clima Tech Airconditioners GmbH – Austria	100
Zamil Steel Buildings India Private Limited	100
Zamil Steel Engineering India Private Limited	100
Ikhtebare – Saudi Arabia	100
Zamil Energy Services Company (ZESCO) – Saudi Arabia	100
Zamil Industrial Investment Company, Emirates	100
Zamil Steel Industries Abu Dhabi (LLC) – UAE	100
Zamil Steel Buildings (Thailand) Co. Ltd.	100
Al Zamil for Inspection and Maintenance of Industrial Projects Co. Ltd – Saudi Arabia	100
Al Zamil Steel Installations Company – Saudi Arabia	100
Zamil Structural Steel Company – Egypt	100
Zamil Construction India Pvt. Ltd.	100
Building Component Solutions – Saudi Arabia	100
Zamil Information Technology Global Private Limited – India	100
Zamil Steel Buildings - Vietnam Company Limited	92.27
Geoclima S.r.l. – Italy	85
Canam Asia Limited – Saudi Arabia	65
Middle East Airconditioners Company Limited - Saudi Arabia	51
Arabian Fiberglass Insulation Company Limited – Saudi Arabia	51
Zamil Hudson Company Limited – Saudi Arabia	50

2. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

Operating entities controlled by the company are classified as subsidiaries and consolidated regardless of the country of their registration. Significant inter-company accounts and transactions are eliminated upon consolidation. Entities under formation are accounted for at cost.

Accounting convention

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available for sale investments.

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Property, plant and equipment/depreciation

All property, plant and equipment are recorded at cost. Freehold land is 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 capitalized.

Impairment

At each balance sheet date, the company reviews the carrying amounts of its property, plant and equipment and its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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. A reversal of an impairment loss is recognized as income immediately.

Deferred charges

Expenses which have a long term future benefit are treated as deferred charges and are amortized over the estimated periods of benefit not exceeding five years.

Loans front-end fees relate 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 statement of income.

Investments

Investments in marketable equity securities are classified according to the company'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 statement of income. Marketable equity securities available for sale are stated at fair value, and unrealized gains and losses thereon are included in 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 received.

An associate is an enterprise over which the Company 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 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.

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.

Accounts receivable

Accounts receivable include sales made on trade credit which are outstanding at the balance sheet date, net of provision for amounts estimated to be uncollectible.

Warranties

Amounts are accrued on an estimated basis to meet probable future costs under warranty commitments.

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 Company's foreign subsidiaries operate. The liabilities are charged direct to the consolidated statement of income. The zakat charge and income tax, assessable on the minority shareholders is included in minority interest.

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.

Revenue recognition

Net sales represent the invoiced value of goods supplied, services rendered and work executed by the company and its subsidiaries during the year. For central air conditioning jobs, revenue and proportionate profit are recognized 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 accounts receivable and prepayments in the consolidated balance sheet. Whereas billings in excess of cost are disclosed under notes and accounts payable, accruals and provisions in the consolidated balance sheet.

Expenses

Selling and distribution expenses are those that specifically relate to salesmen, warehousing, delivery vehicles and warranty cost as well as provision for doubtful debts. All other expenses other than direct cost, amortization of deferred charges, and financial charges are classified as general and administration expenses.

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 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 consolidated stockholders' equity. Translation loss that is considered permanent is charged to the consolidated income statement.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of bank balances, cash on hand, and investments that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

Segmental reporting

A segment is a distinguishable component of the company 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.

Leasing

Leases are classified as capital leases wherever the terms of the lease transfer substantially all the rights and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to consolidated statement of income on a straight line basis over the term of the operating lease.

3. PROPERTY, PLANT AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings on leasehold land	20 to 40 years
Plant, equipment, furniture, fixtures and vehicles	2 to 20 years

	Freehold land SR 000	Buildings on leasehold land SR 000	Plant, equipment, furniture, fixtures and vehicles SR 000	Capital work-in- progress SR 000	Total 2009 SR 000	Total 2008 SR 000
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Cost:

At the beginning of the year	69,159	551,217	1,082,368	58,225	1,760,969	1,401,046
Additions	10,084	15,023	85,352	92,970	203,429	418,960
Disposals	(1,208)	(409)	(15,226)	(411)	(17,254)	(20,839)
Transfers	-	(3,697)	15,673	(11,976)	-	(17,596)
Translation gain (loss)	(56)	1,124	1,939	177	3,184	(20,602)

At the end of the year	77,979	563,258	1,170,106	138,985	1,950,328	1,760,969
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Depreciation:

At the beginning of the year	-	189,005	583,429	-	772,434	685,880
Charge for the year	-	22,473	83,809	-	106,282	104,835
Disposals	-	(99)	(14,836)	-	(14,935)	(18,128)
Translation gain (loss)	-	60	336	-	396	(153)

At the end of the year	-	211,439	652,738	-	864,177	772,434
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Net book amounts:

At 31 December 2009	77,979	351,819	517,368	138,985	1,086,151	
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At 31 December 2008	69,159	362,212	498,939	58,225	-	988,535
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Capital work-in-progress represents mainly the cost incurred in respect of new building, expansion, upgrading of production facilities, plant and equipment acquired for general modernization for Zamil Steel Industries and Zamil Air Conditioners (Saudi Arabia). It also includes costs related to the buildings, plant and new production lines under construction related to Zamil Steel Buildings India, Zamil Industrial Training Institute, Arabian Fiberglass Insulation Company Limited and Zamil Steel Industries Ras Al Khaima Branch.

4. INVESTMENTS

	2009 SR 000	2008 SR 000
Investment in listed companies	22,682	28,399
Unrealized loss on revaluation	-	(5,020)
Available for sale investments	22,682	23,379
Investment in associates	158,613	166,987
Investment in subsidiaries	8,365	19,270
Other investments	55,964	55,964
	245,624	265,600

Investment in associates comprise of the following which are equity accounted:

1. 27.5% share in Saudi Aerated Concrete Industries Company (a Saudi limited liability company). The principal activities of the company are the production of aerated concrete blocks and partitions.
2. 25% share in Energy Central Company B.S.C. (Bahrain). The principal activities of the company are to provide metered energy, central refrigeration and other support and environmental services for large-scale infrastructure development in the Gulf region. Energy Central Company owns 49% share in Saudi Central Energy Company.
3. 51% Share in Saudi Central Energy Company (a Saudi limited liability company). The principal activities of the company are to undertake and execute the contracts for the installation and treatment of energy and water plants, electricity generating stations and their operation and maintenance, and laying networks for its transportation and distribution. Saudi Central Energy Company is controlled by Energy Central Company B.S.C. (Bahrain).
4. 30% share in Advantec Coils Private Ltd. (India) ("Advantec"). The principal activities of the company are to manufacture and assembly of room and central air conditioners.
5. 50% share in Rabiah and Nassar & Zamil Concrete Industrial Co. Ltd. ("RANCO") (a Saudi limited liability company). The principal activities of the company are to design, manufacture and erect precast concrete buildings used for various applications including residential, schools, shopping malls, plants, wall panels, and fabricate a variety of other concrete-based products.
6. 49% share in Armacell Zamil Middle East Company Limited (a Saudi limited liability company). The principal activities of the company are to manufacture rubber adhesive, foam rubber insulation and related accessories and sundries.
7. 51% share in Zamil New Delhi Infrastructure Pvt. Ltd. The principal activities of the company are supply of telecom towers, accompanying shelters fitted with the appropriate sandwich panels, customized air conditioning equipment and power interface units. It will also supply a range of related support products, along with comprehensive installation and maintenance services.

In 2009, the Company has changed its accounting policy from cost method to equity method in respect of associates which have commenced their operations. The change has been accounted prospectively and the impact of the change in accounting policy is SR 5.9 million.

Combined summarized financial information of the above associated companies as of the consolidated balance sheet date is as follows:

	2009 SR 000	2008 SR 000
Working capital	68,275	145,536
Other assets - net of liabilities	172,339	106,329
Net assets	240,614	251,865
The Company's equity in net assets	85,223	86,008
Revenue	305,320	273,106
Net loss	(6,769)	(32,970)
The Company's share of income (loss)	2,437	(8,312)

The difference of SR 73.4 million between the Company's equity in net assets and reported investment in associates represents goodwill recognized on acquiring Advantec of SR 38.9 million and RANCO of SR 34.5 million respectively.

Investment in subsidiaries comprise of the following:

1. 100% share in Arabian Stonewool Insulation Company, a Saudi limited liability company. The principal activity of the company is production of stonewool. The company is under formation stage.
2. 100% share in Eastern District Cooling Company Limited, a Saudi limited liability company. The principal activity of the company is production of industrial cooling water. The Company made a provisional loss of SR 2.6 million based on available information.

Portion of the Company's shares in the above subsidiaries is registered in the names of certain directors or employees as nominee shareholders on behalf of the Company in order to comply with the regulations in which the above subsidiaries are operating.

Other investments comprise of the following:

1. 2.11% Share in Kinan International For Real Estate Development Company Limited (a Saudi limited liability company). The principal activities of the company are to invest in real estates like buying, construction and leasing of land and buildings.
2. 10% share in IIB Paper Company Limited (limited liability company registered in Cayman Islands). The principal activity of the company is the production of tissue paper.

5. GOODWILL

	2009 SR 000	2008 SR 000
Goodwill recognized on acquiring subsidiaries	27,730	27,730

6. DEFERRED CHARGES

	2009 SR 000	2008 SR 000
At the beginning of the year	19,282	16,388
Incurred during the year	9,942	4,293
Transferred (to) from fixed assets, net	(2,265)	4,396
Amortized during the year	(4,713)	(5,958)
Translation gain	114	163
At the end of the year	22,360	19,282

7. INVENTORIES

	2009 SR 000	2008 SR 000
Materials, supplies and stores	975,129	1,574,795
Work-in-progress	58,934	103,145
Finished goods	344,401	473,024
Goods-in-transit	131,890	190,223
	1,510,354	2,341,187

8. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2009 SR 000	2008 SR 000
Trade accounts and notes receivable	1,036,617	1,231,629
Prepaid expenses	27,223	30,040
Retentions receivable	24,200	53,385
Advances, deposits and other receivables	149,539	150,343
Costs in excess of billings	35,104	5,329
	1,272,683	1,470,726

9. RELATED PARTY TRANSACTIONS

The following are the details of major related party transactions:

	2009 SR 000	2008 SR 000
Companies affiliated to Al Zamil Group:		
Purchase of goods and services	57,045	65,109
Sale of goods and services	48,466	32,571

The Company also paid SR 4.88 million (2008: SR 4.35 million) to certain directors as salary and other benefits in their capacity as executives of the company.

Directors' remuneration amounted to SR 2.0 million (2008: SR 2.0 million).

Prices and terms of payment for these transactions are approved by the directors.

Amounts due from and due to related parties are shown in the consolidated balance sheet under current assets and current liabilities respectively and consist of amounts due from/to Al Zamil Group of companies.

10. CASH AND CASH EQUIVALENTS

	2009 SR 000	2008 SR 000
Cash and bank balances	306,768	201,393
Islamic Deposits	47,110	-
	353,878	201,393

11. NOTES AND ACCOUNTS PAYABLE, ACCRUALS AND PROVISIONS

	2009 SR 000	2008 SR 000
Trade accounts payable	251,110	366,767
Notes payable under Murabaha finances	15,570	70,847
Other notes payable	6,715	424
Accrued contractual costs	205,218	117,670
Accrued expenses and provisions	263,774	288,339
Zakat provision (note 14)	51,000	28,427
Billings in excess of cost	45,955	34,028
	839,342	906,502

Notes payable under Murabaha finances and other notes payable are secured by corporate guarantees and carry margin at commercial rates.

12. MURABAHA AND TAWARRUQ FINANCES

Murabaha and Tawarruq finance were obtained from local commercial banks and are secured by credit agreements and corporate guarantees. The facilities carry financial charges at commercial rates and are repayable within one year from the consolidated balance sheet date.

13. SHORT TERM LOANS

Short term loans were obtained from local and foreign commercial banks. The loans are for duration of less than one year with an option to roll over and they carry commission at commercial rates.

14. ZAKAT**Charge for the year**

The zakat charge for the year consists of:

	2009 SR 000	2008 SR 000
Current year provision	31,169	15,850

The current year's provision is based on the following:

	2009 SR 000	2008 SR 000
Equity	976,176	820,540
Opening provisions and other adjustments	198,316	153,452
Book value of long term assets net of long term liabilities	377,199	(202,994)
	1,551,691	770,998
Zakatable profit for the year	297,051	289,210
Zakat base	1,848,742	1,060,208

The differences between the financial and the zakat results are mainly due to elimination of the Company's share of profit in foreign subsidiaries which are consolidated in the financial statements and adjustments for certain costs/claims based on the relevant fiscal regulations.

The Company is settling its zakat based on the consolidated financials of its wholly owned subsidiaries.

The movement in the zakat provision was as follows:

	2009 SR 000	2008 SR 000
At the beginning of the year	28,427	19,366
Provided during the year	31,169	15,850
Payments during the year	(8,596)	(6,789)
At the end of the year	51,000	28,427

Status of assessments

Zakat returns for the Company have been filed and paid for all years through 2008 and the zakat certificates have been received. The Company received its final assessments for the years 2006 to 2008 which showed an additional Zakat liability of SR 16 million. The Company is planning to file an objection against the assessments received and made necessary provision against the additional zakat claimed by the DZIT.

15. SHARE CAPITAL

The share capital of the Company, amounting to SR 450 million (2008: SR 450 million), is divided into 45 million shares of SR 10 each (2008: 45 million share of SR 10 each) (note 18).

16. STATUTORY RESERVE

As required by Saudi Arabian Regulations for Companies, 10% of the consolidated net income for the year has been transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the share capital. The reserve is not available for distribution.

17. TERM LOANS

	2009 SR 000	2008 SR 000
Loan No. 1	100,883	68,343
Loan No. 2	10,066	10,192
Loan No. 3	900,000	1,000,000
Loan No. 4	70	132
	1,011,019	1,078,667
Less: current portion	(240,068)	(115,451)
	770,951	963,216

Loan No. 1 represents the loans obtained by Zamil Steel Industries, Zamil Air Conditioners and Arabian Fiberglass Insulation Company Limited from Saudi Industrial Development Fund ("SIDF"). These loans carry appraisal fees which are being amortized over the terms of the loans and are repayable in semi-annual unequal installments, the last being payable on 15/10/1436H (corresponding to 31 July 2015). At 31 December 2009, the SIDF loans outstanding were SR 100.9 million (2008 – SR 68.3 million) including a current portion of SR 12.08 million (2008 – SR 11.8 million). The loans are secured by mortgage over the property, plant and equipment of the branches and a consolidated subsidiary. The loans agreements also contain certain covenants in respect of maintenance of financial ratios.

Loan No. 2 represents various medium and long term loans obtained by Geoclima S.r.l. repayable in monthly, quarterly and half yearly unequal installments. These loans carry commission at normal commercial rates. At 31 December 2009, the loans outstanding were SR 10.1 million (2008 – SR 10.2 million) including the current portion of SR 2.9 million (2008 – SR 3.5 million).

Loan No: 3 represents loans obtained by Zamil Industrial Investment Company in the amount of SR 1,000 million from local banks to finance its working capital requirements. The loans carry finance charges at SIBOR plus a margin and these loans are secured by corporate guarantees and order notes. The loans agreements contain certain financial covenants which the Company is required to comply with.

Loan No: 4 represents a loan obtained by Zamil Steel Buildings India Private Limited from a bank. The loan is repayable in 36 equal monthly installments and carries commissions at normal commercial rates.

Loan installments due in 2010 are shown as a current liability.

18. PROPOSED CASH DIVIDENDS

The Board of Directors proposed in their meeting held on October 25, 2009 to increase the share capital of the Company from SR 450 million to SR 600 million by capitalizing part of the retained earnings by distribution of one bonus share for every three shares held. The bonus shares are subject to the approval of the stockholders at the extra ordinary general assembly meeting.

The board of directors, in their meeting held on 8 Rabi' I, 1431 (February 22, 2010), have proposed cash dividends of SR 1.5 per share totaling SR 67.5 million being 15% of the share capital (2008: SR 1.5 per share totaling SR 67.5 million being 15% of the share capital) for the approval of the shareholders in their annual general meeting.

The stockholders in their annual general meeting approved and distributed a cash dividend for the year 2008.

19. MINORITY INTERESTS

Minority interests are as follows:

	2009 %	2008 %
Middle East Airconditioners Company Limited	49	49
Geoclima S.r.l.	15	15
Canam Asia Limited	35	35
Zamil Steel Buildings - Vietnam Company Limited	7.73	7.73
Arabian Fiberglass Insulation Company Limited	49	49
Zamil Hudson Company Ltd.	50	-

20. SELLING AND DISTRIBUTION EXPENSES

	2009 SR 000	2008 SR 000
Employee costs	167,848	154,269
Advertising and sales promotion	28,657	23,651
Services	15,424	17,984
Rent and utilities	7,931	8,759
Transportation, business travel and entertainment	24,616	32,948
Depreciation	10,897	9,855
Repairs and maintenance	2,288	2,254
Others	42,586	49,008
	300,247	298,728

21. GENERAL AND ADMINISTRATION EXPENSES

	2009 SR 000	2008 SR 000
Employee costs	165,207	155,255
Depreciation	16,109	14,733
Services	48,804	49,305
Supplies	1,496	1,336
Others	58,253	97,056
	289,869	317,685

22. OTHER INCOME

	2009 SR 000	2008 SR 000
Scrap sales and miscellaneous	52,789	42,269
Gain (loss) on sale of property, plant and equipment	397	(701)
	53,186	41,568

23. SEGMENTAL ANALYSIS

(a) Analysis of sales, operating income/(loss) and net assets by activities:

	Sales SR 000		Operating Income / (loss) SR 000		Net assets SR 000	
	2009	2008	2009	2008	2009	2008
Air conditioner industry	1,576,504	1,552,386	93,412	96,937	246,776	242,183
Steel industry	2,451,339	2,838,149	229,456	241,990	781,513	654,753
Glass & fiberglass	176,569	156,464	33,036	28,709	102,980	87,231
Head office	-	2,603	(25,585)	(24,426)	66,202	44,092
	4,204,412	4,549,602	330,319	343,210	1,197,471	1,028,259

(b) Analysis of sales, and operating income/(loss) by geographical location:

	Sales SR 000		Operating income (loss) SR 000	
	2009	2008	2009	2008
Saudi Arabia:				
Local sales	2,669,700	2,532,752	185,851	200,821
Export sales	843,009	1,132,719	65,465	104,022
Total sales of Saudi Arabia	3,512,709	3,665,471	251,316	304,843
Other Asian countries	277,723	386,795	(9,145)	7,308
Africa	359,224	417,576	88,126	29,342
Europe	54,756	79,760	22	1,717
	4,204,412	4,549,602	330,319	343,210

24. EARNING PER SHARE

Earning per share is computed by dividing net income for the year by the weighted average number of shares outstanding at the year end 31 December 2009 and 2008 aggregating to 45 million shares. The earning per share after considering the proposed stock dividend will be SR 3.84 per share (2008 – SR 3.75 per share) (note 18).

25. CONTINGENT LIABILITIES

The Company's bankers have issued, on behalf of the Company, performance bonds in respect of certain contracts amounting to SR 551 million (2008: SR 498 million).

26. CAPITAL COMMITMENTS

The directors have approved future capital expenditure amounting to SR 70 million (2008: SR 70 million).

The Company has total commitment for the unpaid authorized capital of approximately SR 17.1 million (2008 – SR 18.3 million) relating to the investment in Zamil Steel Industries, Abu Dhabi LLC.

27. RISK MANAGEMENT

Credit risk

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. At the balance sheet date, no significant concentrations of credit risk were identified by management. However, the trade receivables from foreign customers are secured by letters of credit.

Liquidity risk

The company limits its liquidity risk by ensuring that bank facilities are available. The Company's terms of sales require amounts to be paid within 90 to 150 days of the date of sale. Trade payables are normally settled within 60 to 90 days of the date of purchase.

Currency risk

As a result of investment in foreign countries, the consolidated balance sheet can be affected by movements in the exchange rate of Saudi Riyals against currencies of these foreign countries.

There are transactional currency exposures also. Such exposures arise mainly from sales or purchases by the foreign subsidiaries in currencies of their respective countries, which are not pegged with the functional currency of the parent company.

28. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash and bank balances and receivables, its financial liabilities consist of term loans, notes payable, payables, and accrued expenses.

The fair values of financial instruments are not materially different from their carrying values.

29. COMPARATIVE FIGURES

Certain figures for 2008 have been reclassified to conform with the presentation in the current year.