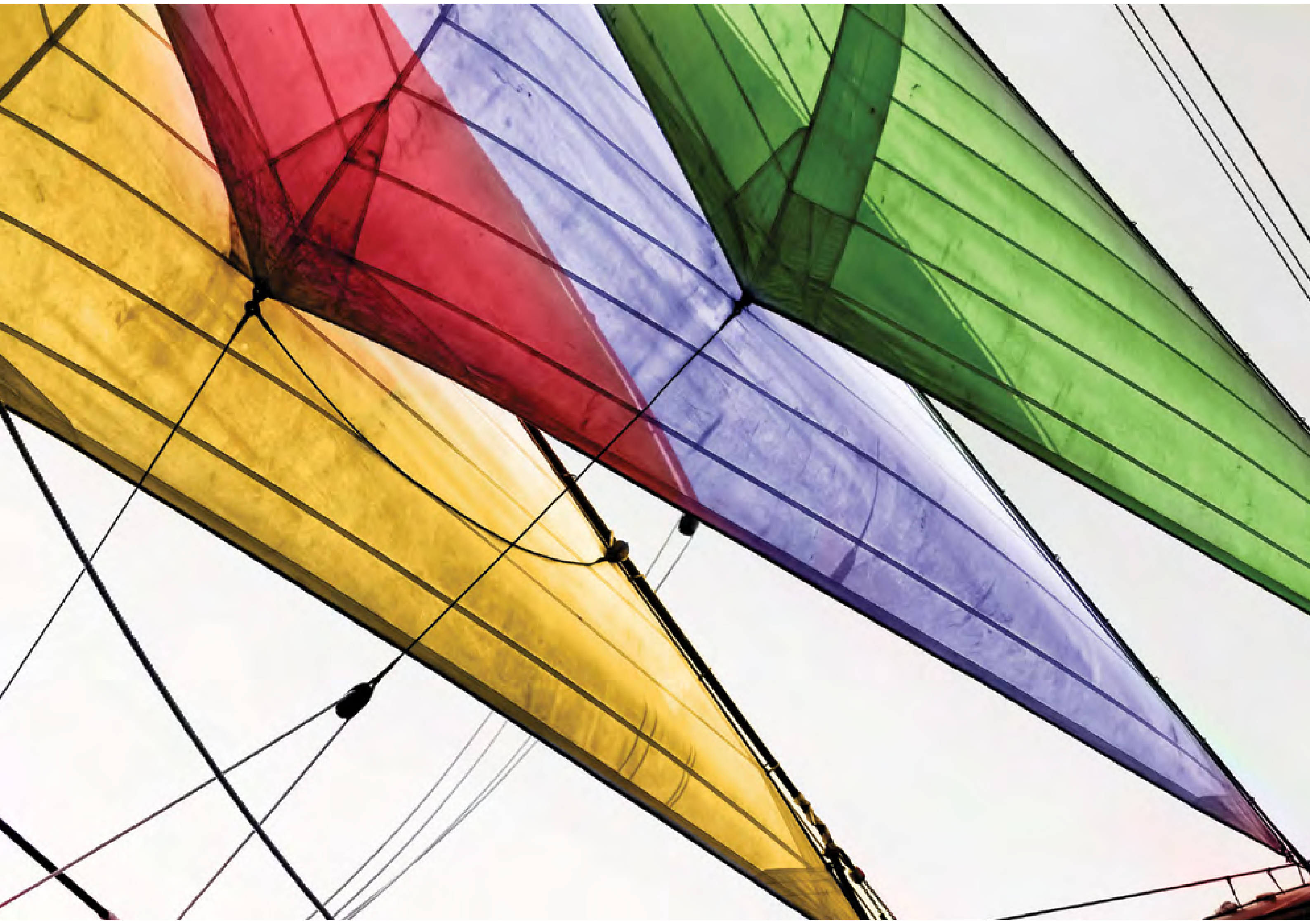
Annual Report 2015



Zamilindustrial

Zamil Industrial Investment Co.
P.O. Box 14441 Dammam 31424
Kingdom of Saudi Arabia

Contents

Performance Highlights

- **Revenues** in 2015 at SAR 5,488.6 million (USD 1,463.6 million) registered a year-on-year growth of 0.6% compared with SAR 5,455.4 million (USD 1,454.8 million) recorded in 2014.
- **Gross Profits** in 2015 amount to SAR 1,305.3 million (USD 348.1 million) as compared to SAR 1,347.4 million (USD 359.3 million) in 2014, a decline of 3.1%.
- **Operating Income** in 2015 is higher by 0.4% at SAR 407.5 million (USD 108.7 million) compared to SAR 405.9 million (USD 108.2 million) in 2014.
- **Net Income** after Zakat for 2015 amounted to SAR 263 million (USD 70.1 million) as compared with SAR 260.3 million (USD 69.4 million), an increase of 1.0% over the same period in 2014.

- **Earnings per share** (from net income) grew to SAR 4.38 (USD 1.17) in 2015 from SAR 4.34 (USD 1.16) in 2014.

- **Shareholders' Equity** has increased by 7.7% to SAR 2,151 million (USD 573.6 million) by the end of 2015 from SAR 1,997.7 million (USD 532.7 million) on 31st December 2014.

The improved performance in 2015 can be attributed to better operating margins in the air-conditioning sector as well as to lower financial charges, non-controlling interests, zakat and taxes.

Board
of Directors

(Left to right):
Abdulla M. Al Zamil | **Chief Executive Officer**
Khaled S. Olayan
Abdallah S. Jum'ah
Khalid A. Al Zamil | **Chairman**
Ahmed A. Al Zamil
H.E Dr. Soliman A. Al Solaim
Adib A. Al Zamil
Mohammad S. Al Harbi
Tariq A. Tamimi
Abdulrahman F. Al-Suwailem

Vision

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

Honesty and Integrity

We believe that goodwill and a good reputation are integral 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.

Mission

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

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 and pass on the benefits to our customers.

Community and Prosperity

We believe in mutual prosperity. We aspire to thrive in business while bringing progress and prosperity to our own people and the communities where we operate. Our culture, our ideas, our practices, our environmental concern and our teamwork inspire us to create superior values for people and communities around us.

Business **Profile**

1998
Dammam

11,000+
people

99
countries

Founded in 1998 and headquartered in Dammam, Saudi Arabia, Zamil Industrial Investment Company **(Zamil Industrial)** is a publicly listed company and a leading manufacturing and fabrication group that provides engineered products, systems and support services for the construction industry.

STEEL HVAC INSULATION CONCRETE

Today, we serve clients in more than 90 countries worldwide and operate businesses in four major industrial sectors – Steel, HVAC, Insulation Materials and Concrete. We are majority shareholders in joint venture companies and own several subsidiaries. Our companies employ more than 11,000 people in 55 countries and obtain around 30% of our revenue from countries other than Saudi Arabia.

In keeping pace with the industrialization initiative of Saudi Arabia, Zamil Industrial has chosen to concentrate operations in the building, construction, and industrial structures and equipment industries. All operations are ISO 9001 certified, and Zamil Industrial businesses are the regular recipients of prestigious industry rewards in recognition of attention to quality, customer service and leadership in the research and development of new technologies and industrial processes.

The Zamil Industrial

Product Portfolio

Manufacturing facilities operated by Zamil Industrial businesses are currently located in Saudi Arabia, the United Arab Emirates (UAE), Egypt, India, Vietnam and Italy. Our companies manufacture and fabricate materials and provide innovative engineering systems, customized solutions and services to clients for use in construction and industrial operations.

Products and services include:

- Pre-engineered steel buildings and structural steel products
- Air-conditioning systems, including maintenance and installation services
- Process equipment
- Transmission and telecom towers, open-web joists and steel decks
- Precast concrete products
- Fiberglass and Rock wool insulation
- Pre-insulated pipes
- Mineral, rock wool and sprayed polyurethane foam sandwich panels
- Building automation, security and protection systems
- Maintenance and inspection of industrial projects
- Turnkey project solutions
- Passive telecom infrastructure

At Zamil Industrial, we provide customers with Total Building Solutions. Through our strength and diversity, we have built the capacity to operate as a single-source provider, capable of meeting complete project needs from engineering and materials to climate control.

Shared vision, mission and values unite our diverse business interests

Although the businesses of Zamil Industrial perform diverse functions, they are united by the company's shared vision, mission and time-honored core values. The company has grown and prospered based on the founders' vision of leadership through creation of value. Their mission of winning the trust of the markets and stakeholders through solid competence and concern for the beneficiaries of Zamil Industrial companies has proven successful. The company has become a global leader in the pursuit of knowledge, innovation, professionalism and excellence in business.

At Zamil Industrial, we will continue to follow our vision of business and community leadership, a mission of success gained through trust and competence, and an integration of our core values in pursuit of innovative corporate strategies. We will seek, support and nurture new business and reward our shareholders, employees and communities with the benefits of our success.

Share Trading

Zamil Industrial shares are available for trading to all Saudis, GCC nationals, and foreign investors. They are actively traded on the Saudi Stock Exchange (Tadawul) under the name "Zamil Industrial" (Saudi Stock Exchange: 2240, Bloomberg: ZIIC:AB). More information can be found at www.tadawul.com.sa.

Chairman's Letter

Dear Shareholder,

On behalf of your Board of Directors, it gives me considerable pleasure to present to you the Annual Report of Zamil Industrial Investment Company (Zamil Industrial) for the financial year ending 31st December 2015.

It is most gratifying to report on another year of good performance for your company. Such an achievement can largely be attributed to a sound business model and a diverse portfolio of products and services, catering to multiple customer and market segments.

Since the prevailing global economic environment has posed challenging circumstances in our local and export markets, this accomplishment is to be highly commended. In our home market of Saudi Arabia, the major decline in the oil price has had an adverse impact on national economic development, but the government has remained the main driving force of the economy by drawing-down reserves to meet commitments.

Elsewhere, renewed stability in Egypt has instilled increased confidence in the local business community and approaches to our Egyptian company's export markets have proved rewarding. In India, the economy has grown apace year-on-year and had exceeded growth in China during the last quarter of 2015, creating a fertile environment for the private sector. Despite the overall economic situation in Southeast Asia, there are some bright spots containing opportunities for our company in Vietnam. Despite increased optimism in many markets, challenges remain due to strong competition for the available business; but we are confident in our ability to generate new business in keeping with our established strategies.

Given the operational environment during 2015, I am very pleased to be able to report that your company had gross revenues of SAR 5,488.6 million (USD 1,463.6 million), an increase of 0.6% year-on-year over the SAR 5,455.4 million (USD 1,454.8 million) recorded in 2014.

Net income for the year, after payment of zakat, was SAR 263 million (USD 70.1 million) as against SAR 260.3 million (USD 69.4 million) a year earlier, an increase of 1.0%. The increase in Net Income can be attributed to robust growth and better operating margins in the air-conditioning sector in addition to lower financial charges, non-controlling interests, zakat and taxes. Earnings per share increased to SAR 4.38 (USD 1.17) from SAR 4.34 (USD 1.16) in 2014, while Shareholders' Equity at 31st December 2015 was SAR 2,151 million (USD 573.6 million), a rise of 7.7% over the end of 2014.

"Success has been obtained over several decades due to dedication to the needs of customers"

Chairman's Letter (continued)

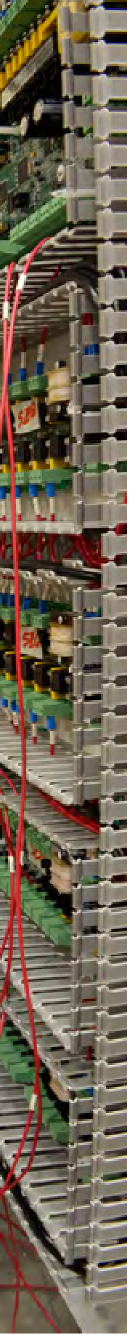
> *Looking to the future we remain confident of our continuing ability to grow*

The Board of Directors is recommending the distribution of a final cash dividend of SAR 1.00 a share for the year. This, together with the interim dividend of SAR 1.00 paid in August 2015, makes a total for the year of SAR 2.00 per share or SAR 120 million, which amounts to 20% of the company's paid-up capital. Shareholders' approval of the final dividend will be sought at the Annual General Meeting in 2016.

Our continuing achievements represent the solid standing of your company and its products and services, not only at home in Saudi Arabia but also in Egypt, India, Vietnam and Italy, where we maintain manufacturing facilities, as well as in all our export markets. In all areas of our activity, be it steel buildings, telecommunications and transmission towers, process equipment, HVAC products and services, insulation materials and precast buildings and elements, our reputation is unsurpassed in terms of quality and reliability.

Your company has sustained success over several decades due to our dedication to the needs of customers and to our constant pursuit of offering new and innovative products and services. We continue to examine the potential for expanding the scope of our activities, enhancing the value delivered to our customers.

We are able to attain and maintain the high standards in our offerings and business processes only due to our skilled and well-trained workforce.



We are proud of the professionalism and commitment demonstrated by our employees at all our business units — at home and abroad. As a company, we are diligent in caring for all our employees and their families by protecting their good health and safety in the environments where they work and live.

Of particular importance is our desire to invest in the nationals of every country in which we operate, to whom we provide comprehensive training that enhances their personal capabilities, benefiting both your company and their communities. As they advance in experience and expertise, we seek to map out their career paths so as to encourage loyalty and to provide added value to your company. In Saudi Arabia we are particularly proud of the growing number of women and of the people with disabilities in our workforce.

As a socially responsible company, we seek to ensure detailed attention to the environment, energy efficiency and the conservation of water and energy wherever we operate. Participation in charitable and social activities is very much part of our corporate core values and that of our management and employees.

Your company recognizes the immense benefits attained by implementing strong corporate governance, as it leads to the observance of ethical and professional standards in every aspect of your company's business. Our Code of Conduct confirms our intention to act ethically, operating our business to the highest standards of disclosure and transparency. As a public company, we always endeavor to adhere to the counsel of the Capital Market Authority so as to ensure a credible environment for our investors.

As we look to the future, we remain confident of our continuing ability to grow. The Saudi Arabian government has confirmed its intention to pursue national economic development using a

number of economic reforms to address the prevailing economic circumstances, which will result in new opportunities for your company to achieve sustained growth. We believe that strong potential exists for our manufacturing facilities in Egypt and India, as well as in Vietnam, despite depressed economic conditions in other parts of Asia.

Finally, it is my pleasure to thank all our stakeholders, the Board of Directors, shareholders, management and staff, customers and suppliers, for your continued support. Together we have enjoyed success over many years and together we pursue further success and prosperity for your company.

Khalid Abdullah Al Zamil
Chairman of the Board

Chief Executive Officer's Letter

Dear Shareholders and Colleagues,

2015 has been another successful year for Zamil Industrial. Over the past twelve months, we have sought assiduously to grow and expand our company by pursuing a strategy of flexibility and efficiency in customer service and increasing our focus on value enhancing business adjacencies. This approach has enabled the creation of new products and services and the expansion of business opportunities. We are also dedicated to the continued application of prudent management controls and to pursuit of the increased operational efficiency so important to the growth of our bottom line.

The global economic environment has been far from stable over the past twelve months, especially considering the substantial fall in the price of oil during the second half of the year, and the major impact of the markedly lowered demand for commodities. As in the previous year, the US economy showed signs of growth, especially during the fourth quarter, as did the economies of members of the European Union. Nevertheless, the situation in Asia was very mixed, with many economies struggling. Despite constrained circumstances, Zamil Industrial is well equipped to adopt alternate business models in order to meet these challenges and achieve sustained growth.

In the Middle East, a number of factors have combined to adversely impact our activities, including the decline in oil prices and the prevailing instability caused by events in some of our export markets. Our home market of Saudi Arabia has also had to face up to challenging circumstances; but still we continue to expand and diversify through initiatives in both the public and private sectors. This has proven especially beneficial with regard to construction projects dedicated to the development of the national infrastructure, local industry and new schools, colleges and universities, which in 2015 resulted in the largest order in the history of our HVAC business unit.

As a Saudi-based business, we maintain a watchful eye on the national budget, and especially on expenditure. For 2016, the government has budgeted total expenditures at SAR 840 billion (USD 224 billion), of which SAR 191.7 billion (USD 51.1 billion) will be spent on education and training; SAR 104.9 billion (USD 28.0 billion) on health and social development; and SAR 23.9 billion (USD 6.4 billion) on infrastructure and transportation. In implementing its budget, the government will give priority

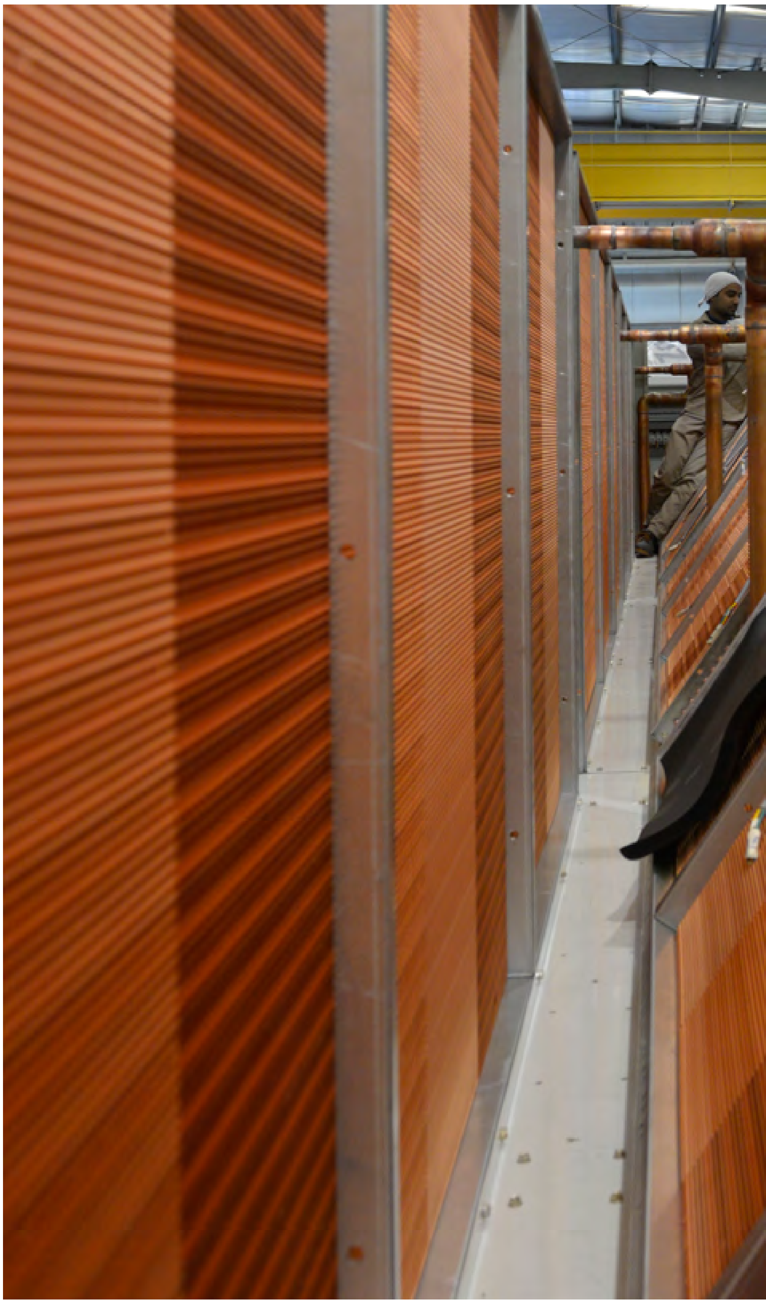
> *"As a socially responsible business we consistently seek ways to minimize our environmental impact"*

Chief Executive Officer's Letter
(continued)

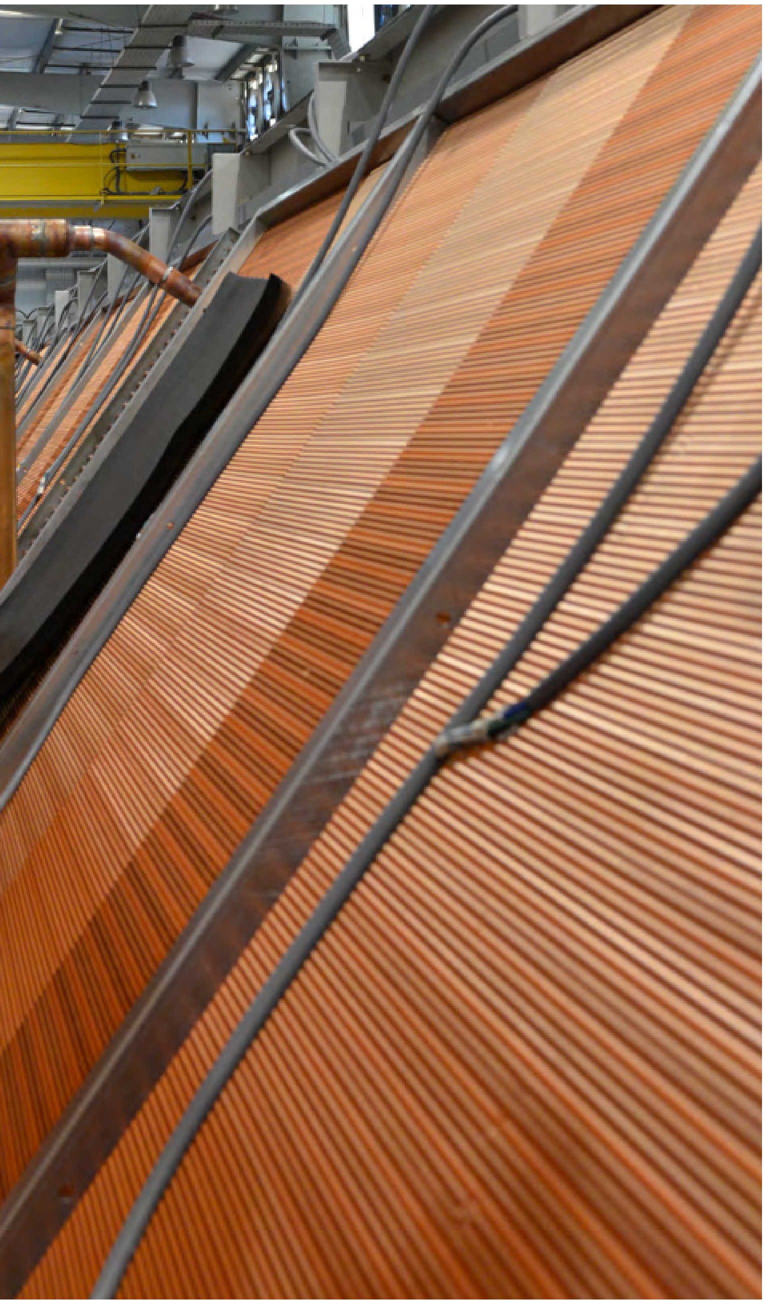
to the domestic private sector, especially with new construction projects and the supply of materials for their fulfillment. This approach is clearly of benefit to our company as we seek to build on our current activities and identify new opportunities.

While Saudi Arabia is our prime market, we conduct activities across the globe — from the African continent through the wider Middle East to the Indian subcontinent and Southeast Asia. Our venture in Egypt has seen new business due to an increased level of regional stability over that of a year earlier and widespread marketing activity in numerous countries across the continent. In India, where the economic environment has markedly improved, we have been successful in generating new business in many states across the country as well as in export markets. Our factories in Vietnam have been busy throughout the year, fulfilling obligations to customers both in its domestic market and elsewhere in Southeast Asia, despite the prevailing fluctuating economic circumstances in the region.

As a socially responsible business, we consistently seek ways to minimize the environmental impact of our production plants — wherever we operate. We also seek to improve our energy efficiency, to conserve water and reduce our carbon footprint. In so doing, we ensure the health and safety of all our employees and their families, wherever they may be.



"Our success over many years is due largely to the expertise, knowledge, loyalty and commitment of every member of our team"



Furthermore, and of particular importance to our company, we ensure interaction with the less fortunate members of the communities in which we work.

Our company has been highly successful over many years, due to a considerable extent to the expertise, knowledge, loyalty and commitment of every member of our team from the most senior manager to the most recent recruit. Every new employee, male or female, receives excellent training that enables his or her full participation in the workplace. Additionally, high-quality training is provided on an ongoing basis throughout each employee's career, and close attention is paid to each individual's potential for advancement within the business through our Talent Review Program.

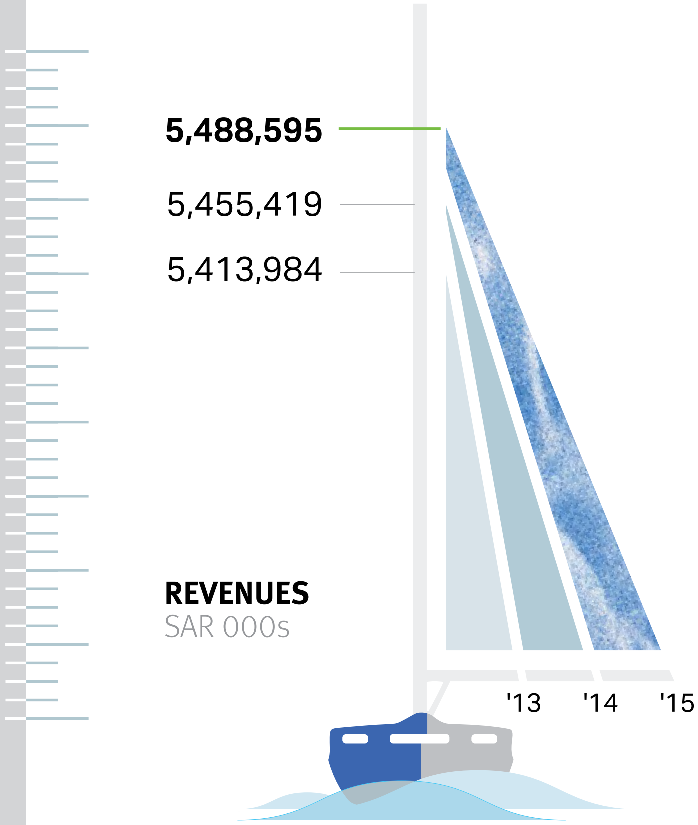
We are especially pleased with our Saudi female employees, one of whom was recognized this year by the Ministry of Labor as "the most committed Saudi woman in the job seeker category," an honor of which we as a company are also proud. We are also dedicated to the employment and encouragement of people with disabilities and their full participation in our business.

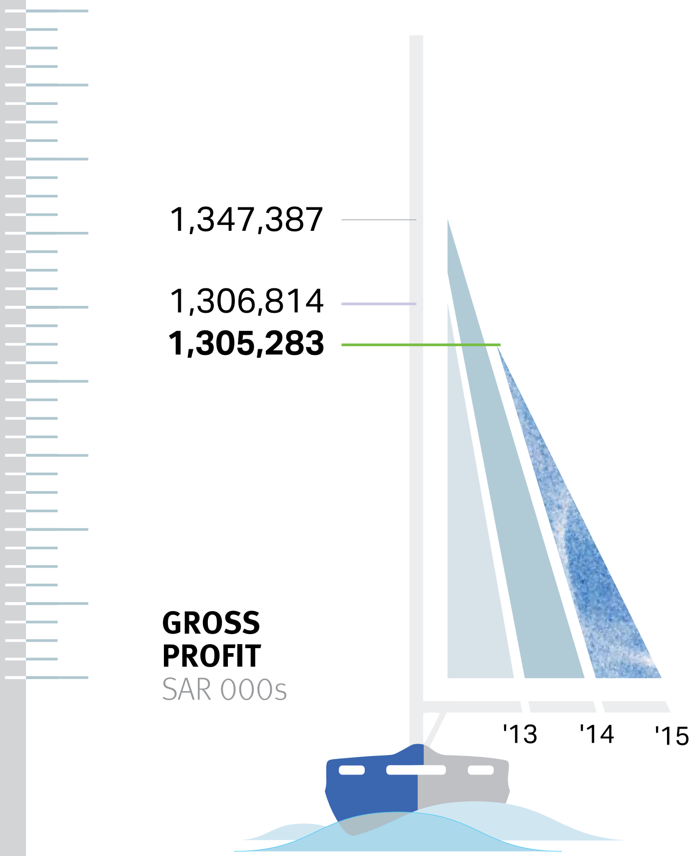
We can look back on last year with considerable pride in our many achievements as we continued to operate profitably despite challenging global economic and commercial conditions. Our business has continued to grow and the demand for our products and services has risen as we pursue our strategy of being increasingly efficient while maintaining our focus on product and service diversification across all destination markets. Looking ahead, healthy order books at all our businesses give us considerable confidence in our further success during the coming year.

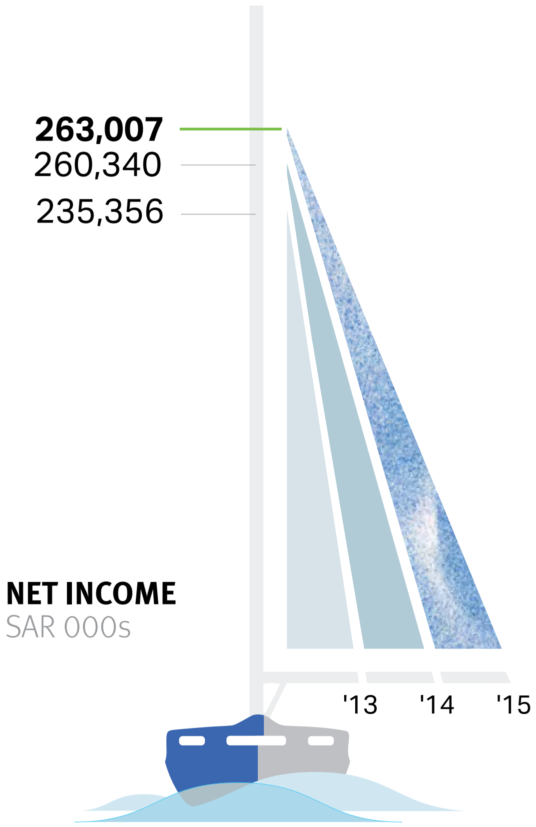
Our accomplishments this year would not have been possible without the full participation of all our stakeholders, and I offer my sincere thanks to them for their sustained support and participation, without which we would not have been able to report our continued success.

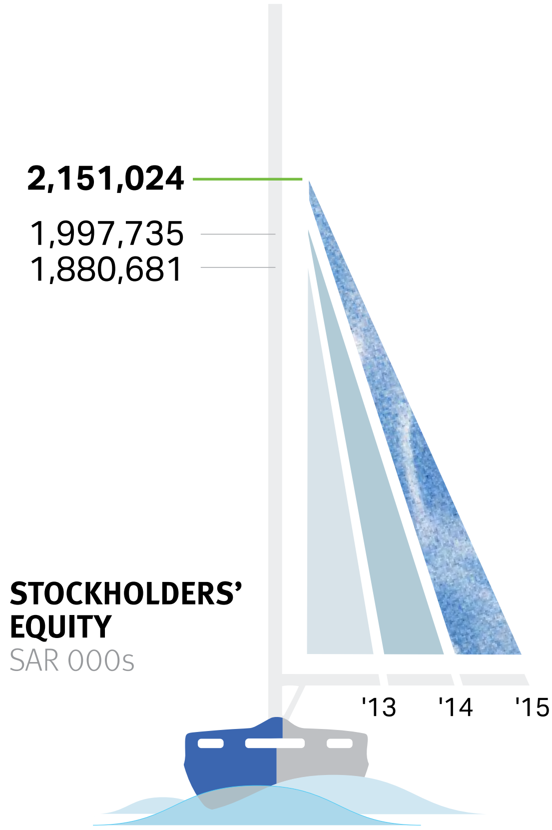
Abdulla Mohammed Al Zamil
Chief Executive Officer

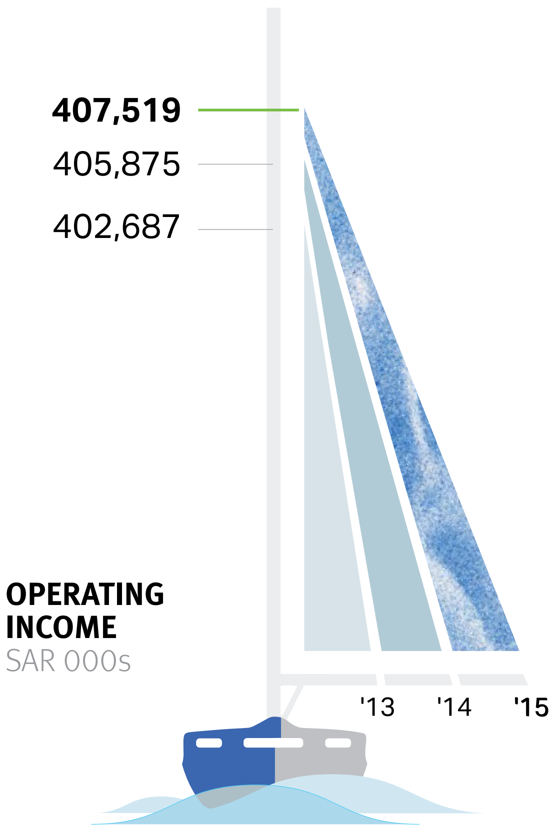
Financial Highlights

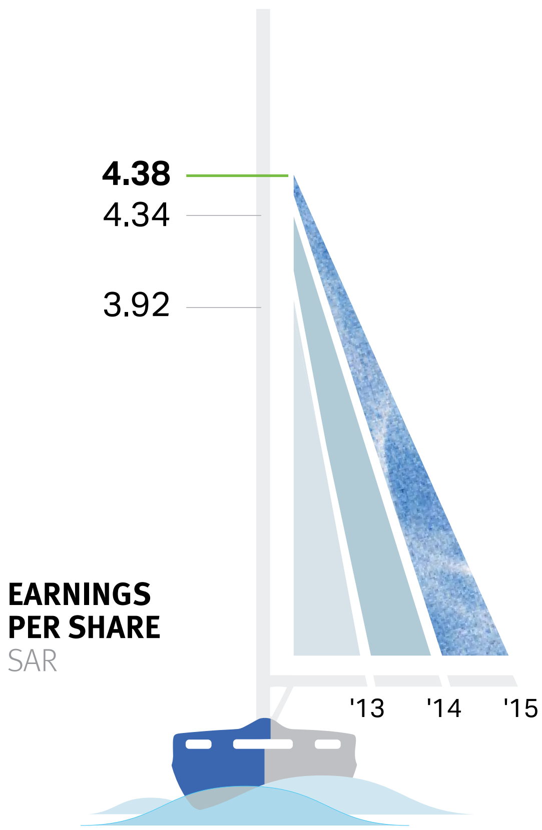





263,007
260,340
235,356
NET INCOME
SAR 000s
'13
'14
'15


2,151,024
1,997,735
1,880,681
STOCKHOLDERS' EQUITY
SAR 000s
'13
'14
'15


407,519
405,875
402,687
OPERATING INCOME
SAR 000s
'13
'14
'15


4.38
4.34
3.92
EARNINGS PER SHARE
SAR
'13
'14
'15

Business Operations Review

Steel Sector

All business units within the steel sector are wholly owned by **Zamil Steel Holding Co. Ltd.,** a Saudi-registered company that is in turn divided into two business groups: Building Products Group **(BPG)** and Industrial Steel Products Group **(ISPG)**.

Steel
SECTOR

Together, they provide a comprehensive array of products and services to destinations throughout the Middle East, Africa, the Indian subcontinent and Southeast Asia.

The steel sector has grown its revenues by 5.8% in 2015, despite decreased demand and an increasingly competitive business environment.

Steel Sector
(continued)

Building Products Group (BPG)

BPG saw revenues continue to rise over the past year, but due to the prevailing reduction in the price of oil and its impact on overall economic development, especially in Saudi Arabia, business in general slowed and competition increased.

Indications are that BPG's long-term, excellent reputation for high-quality steel products that are manufactured to meet challenging international standards will continue to ensure growth in the years to come.

Zamil Steel Pre-engineered Buildings Company (PEB-GCC)

The marketing activities of PEB-GCC have been very effective, as many orders have been won, both at home and overseas, during the past year. In the domestic market, major orders have been booked for Saudi Aramco's Jazan Refinery and Terminal Project; Gasan Calcined Petroleum Coke Factory in Jubail; Panda supermarkets in Jeddah; a car showroom in Makkah; and the Middle East Center of Reliability and Efficiency for Schlumberger Dowell Saudi Arabia. Within the GCC, orders have been received from Qatar, Dubai and Sharjah (UAE) and, furthermore, exports have been booked for delivery to Pakistan and Bangladesh.

Having attained registration with major corporations in Saudi Arabia, Qatar and the United Arab Emirates and accreditation by the GCC Standardization Organization, PEB-GCC is well-placed to ensure further growth well into the future.

Building Component Solutions Company Ltd. (BCOMS)

BCOMS manufactures sandwich panels, and despite challenging market conditions, the company has continued to win orders from major clients, the largest of which came from Saudi Amana Contracting, Arabian Bemco Contracting, Al Najris and Jeddah International Airport.

Over the years, BCOMS has obtained and maintained all relevant certifications to ensure that the company adheres to the highest quality standards, the latest being ISO 14001:2004, a major milestone in attaining and maintaining environmental compliance.

During 2015, BCOMS signed a Memorandum of Understanding with Bacacier, a French group specializing in facade coverings and metal sheets for industrial buildings, for the distribution of Bacacier's cladding system across the GCC region.

Zamil Steel Construction Company (ZSCC)

ZSCC has seen a substantial rise in revenues over 2014. This is largely due to broadening of the company's activities to address new business segments and to undertake turnkey assignments.

> *"ZSCC has seen a substantial rise in revenues over those of 2014"*

Steel Sector
(continued)

A number of new orders were booked, including those for Gulf Real Estate Company's new shopping mall project in Dammam; a turnkey project for Saudi Guardian International Float Glass Company's factory extension in Jubail; the new Tamimi Markets center in Al-Khobar; Global Pipe Company warehouse in Jubail; Saudi Aramco's Al Janadriyah Exhibition Facility near Riyadh, and a water tanks factory in Jeddah for Al Zamil Industry, Trade and Transportation Company.

During the year, many projects were completed across Saudi Arabia, among them were Rabigh II Petroleum Refining and Petrochemical Production Complex, Yanbu Export Refinery and Saudi Elastomer in Jubail.

Zamil Steel Egypt
Zamil Steel Egypt has seen continued growth both in its domestic market and overseas during 2015, with rising revenues, production and shipments. This achievement is to be commended, especially given the prevailing environments in Egypt and in some of the company's export markets.

The business unit fulfilled numerous orders in Egypt, many for factory building projects in Sadat and 6th of October Cities. Overseas marketing activities throughout the African continent have borne fruit in 2015,

> *"Zamil Steel Egypt has seen continued growth both in its domestic market and across the African continent"*

"Zamil Steel India achieved a remarkable rise in revenues when compared with those of a year earlier"

as orders have been obtained from countries as far apart as Angola, Algeria, Senegal and Tanzania. Major orders included a factory in Tanzania and warehouses in Nigeria, Ethiopia, Ghana, Mozambique and Zambia.

Zamil Steel India

Zamil Steel India sustained the success of the previous year, achieving a remarkable rise in revenues when compared with 2014. Such attainments are in large part due to widespread marketing initiatives as well as the business unit's commitment to high-performance manufacturing that consistently meets and exceeds customer expectations and industry specifications.

Domestic projects booked included factories, power stations, warehouses, a rice mill and a container freight station located in more than fifteen Indian states from Uttar Pradesh to Kerala and Maharashtra to Orissa. Overseas, Zamil Steel India won orders for warehouses from Nepal and Sri Lanka, a power plant in Senegal, a factory in Sri Lanka, a production hall in the Congo and a cement plant in Ras Al Khaimah, UAE.

To ensure Health, Safety and Environment compliance, Zamil Steel India obtained ISO 14001:2004 (Environmental Management Systems) and OHSAS 18001:2007 (Occupational Health and Safety Management Systems) certifications in 2014.

Zamil Steel Vietnam

After a year in which business had declined, Zamil Steel Vietnam has seen considerable increases in both production and shipments in 2015, 23% and 15% respectively year-on-year. This is also reflected in marginal but visible revenue growth, since the economies of Southeast Asia have been under considerable downward pressure.

In Vietnam, a major order was received for a factory for Gain Lucky and a substantial contract was signed with Nghi Son Refinery Project for the design, fabrication, supply and erection of pre-engineered buildings. Other orders have comprised factories, warehouses, an exhibition center, a trade center, a showroom and a sugar project.

Steel Sector
(continued)

Major export orders have been booked from Técnicas Reunidas Malaysia for Package 3 of the Refinery and Petrochemical Integrated Development (RAPID) Complex Project in Pengerang, Malaysia; a thermal power plant in the Philippines; and the Ammonia-Urea II Adhi Karya project in Indonesia. Other orders have been obtained, primarily for warehouses and factories, from customers in Thailand, Cambodia, the Philippines and Egypt.

Industrial Steel Products Group (ISPG)

Zamil Structural Steel Co. (ZSSC)

ZSSC produces and supplies structural steel, pipe racks, platforms and pipe supports for the oil, gas, petrochemical and mineral industries.
In 2015, revenues grew by 5% over 2014 while production increased by 7% over the previous year to more than 46,000 MT.

A number of important projects were completed in 2015, including the Takreer Carbon Black & Delayed Coke Plant in Ruwais, Abu Dhabi; the Hout Onshore Gas Facility at Al-Khafji; and the Ma'aden Alumina Refinery in Ras Al-Khair in the eastern region of Saudi Arabia. Major projects won during the course of the year comprised those for Saudi Aramco's Jazan Refinery and Terminal, Saudi Electricity Company's Riyadh Power Plant 14, and Saudi Pharmaceutical Industries & Medical Appliances Corporation's steel buildings in Dammam as well for Kuwait National Petroleum Company's Clean Fuels Project.

As part of its marketing strategy, ZSSC attended and participated in three major events during the year; the International Petroleum Technology Conference in Doha; Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC); and the Kuwait Oil and Gas Show and Conference.

> *ZIMIPCO undertook highly technical assignments requiring broad expertise and tight work schedules for clients in the oil, gas and power generation sectors*

Zamil Towers and Galvanizing Company (ZS T&G)

ZS T&G had another successful year producing and supplying lattice steel structures and seeing revenues increase over 2014.

Major contracts were awarded during the year by the Al Sharif Group for Contracting, Trading and Development Holding Co. and AETCON Group for the fabrication and supply of lattice transmission line towers and gantries for various transmission lines and substations owned by Saudi Electricity Company (SEC) in the western region of Saudi Arabia. Many other projects requiring lattice steel towers, gantries and equipment support structures for SEC and its contractors for overhead transmission lines were fulfilled. Similar orders were received also from Kuwait, Oman and the United Arab Emirates.

A major export project for the design, fabrication and supply of 3,300 MT of lattice steel towers for Petroleum Development Oman was completed in a timely manner, earning ZS T&G a high customer satisfaction rating.

Zamil Process Equipment Company (ZPEC)

ZPEC was again successful last year in manufacturing an array of equipment for end users in the oil, gas and petrochemical industries.

The year saw ZPEC successfully deliver two “HP Amine Absorber Trains” for Saudi Aramco to the Jazan Refinery and Terminal project, among the first equipment delivered to the site. The technical challenges offered by this assignment were overcome during manufacturing, enabling timely delivery of the “Trains”.

Contracts won over the year under review represented an array of plant equipment, predominantly for Saudi Electricity Company and Saudi Aramco.

Zamil Inspection and Maintenance of Industrial Projects Company (ZIMIPCO)

ZIMIPCO undertakes highly technical assignments for customers that require broad expertise and tight work schedules designed to minimize the downtime of customer facilities.

In 2015, ZIMIPCO grew its revenues over the previous year as it mainly fulfilled assignments for two customers, Saudi Aramco and SABIC, but also for Marafiq, the Power and Water Utility Company for Jubail and Yanbu, with whom it signed a three-year, long-form contract to handle all fabrication and welding activities related to the repair and maintenance of stationary equipment, and for Petro Rabigh, which is owned by Saudi Aramco and Sumitomo Chemical as a joint venture.

A key project was completed during the shutdown of Yanbu National Petrochemical Company (YANSAB), a SABIC joint venture, where considerable repairs proved necessary within an extremely tight time frame. These were carried out in 30 days with a total crew of 175 people and 20 welding machines working on-site, around the clock.

Business Operations Review (continued)

HVAC Sector

The HVAC Sector is represented within Zamil Industrial by **Zamil Air Conditioners Holding Co. Ltd**, the largest supplier of an extensive range of air conditioners in the Middle East. The sector comprises three units: **Unitary and Applied, Consumer and CoolCare** in Saudi Arabia.

HVAC
SECTOR

2015 has been another very successful year for the sector, with revenues and operating income rising over the comparative figures a year earlier, due in large part to improved operating margins. The good performance of the sector was attributed to good performance of all business units.

A major highlight of the year for HVAC was the award of the largest contract in Zamil Air Conditioners' history. The agreement called for the supply of 80 custom water-cooled centrifugal chillers for the Saudi Real Estate Development Company (Dar Al-Hijrah) Project in Madinah, located in the western region of Saudi Arabia.

Another prestigious contract award was the Saudi Aramco Sulphur Railcar Loading facility in Jubail. CoolCare was contracted for the provision of engineering, procurement, and construction (EPC) and commissioning services for the fire alarm, firefighting and fire suppression systems at the Facility, to be undertaken by the in-house Fire Protection Department.

HVAC Sector
(continued)

Zamil Air Conditioners participated in the Asharqia Third Quality Forum in Al-Khobar that was organized under the theme "Building a Quality World Together" by the Saudi Quality Council, in collaboration with the General Directorate of Education in the Eastern Province and the King Fahd bin Abdulaziz Quality Center. A case study entitled "Application of Kaizen Principles in the Private Sector" was presented by the company.

Unitary and Applied Business Unit
This business unit saw revenues rise in 2015 on the back of a number of landmark orders from customers across Saudi Arabia. Among the largest of these were the provision of EPC services and mechanical works for HVAC systems and the supply of an array of HVAC equipment and chilled water systems for Saudi Methacrylates Company in Jubail; the supply of equipment for the educational hospital and housing community of the General Organization for the Military Industries Corporation; AHU and FCU equipment for Al Madinah Hajj City; and the supply of many units to Al Rashid/ Madaf Trading and Contracting for Saudi Telecom Company.

During the 12 months under review, new products have been developed and tested by both the Applied Product Unit and the Heavy Duty Cooling Product Unit. The former has developed five new products comprising explosion-proof package units, specifically for use in the oil and gas industries, PTH and PCH units and large capacity PAX and PRX units, while the latter product unit has introduced new low temperature process cooling chillers, which have extensive applications in concrete batching plants, the food processing industry and in medical applications, in addition to new generation process cooling chillers.

The Applied Business Unit attained UL listing and Air-Conditioning, Heating, and Refrigeration Institute (AHRI) certification for its new air-cooled screw chillers AS – B Cooline Brand, and successfully passed all AHRI certification tests for the third year in succession.

> *“A major highlight of the year was the award to Zamil Air Conditioners of the largest contract in its history”*

> CoolCare MRO has seen excellent revenue growth in 2015

Consumer Business Unit

The success of earlier years has been sustained by the Consumer Business Unit as it posted a rise in revenues and operating income over the previous year. In attaining this heightened level of revenue, a number of substantial orders were obtained for both room air conditioners (RAC) and mini-split units from customers across Saudi Arabia and the wider GCC. The largest of the orders required delivery to clients in Oman, with other substantial orders delivered to a number of customers in Jubail and also to the General Presidency for Girls' Education and the Ministry of Interior in Riyadh.

The Business Unit's new RAC and mini-split outdoor units received UL certification while at the year end the mini-split indoor units were under test.

CoolCare - Maintenance, Repair and Overhaul (MRO)

This business unit has seen excellent revenue growth in 2015. Major orders included the maintenance of air conditioning units for the Ministries of Education and Water and Electricity and for Saudi Electricity Company, for whom a retrofit in Dammam was also undertaken. A considerable number of other contracts were also obtained from various customers, including Saudi Aramco, SABIC, Al Hada Military Hospital, Luberef, Pepsico and Jazan University.

CoolCare's Zamil Projects Division

2015 was a good year with considerable order wins for CoolCare's Zamil Projects. Throughout the 12-month period, orders were obtained from many customers across the Kingdom, including Saudi Electricity Company, Saudi Aramco, SWCC (Saline Water Conversion Corporation), Emaar at King Abdullah Economic City at Yanbu, the Ibn Sina Project in Jubail, Ma'aden and the Jazan Refinery.

CoolCare Parts

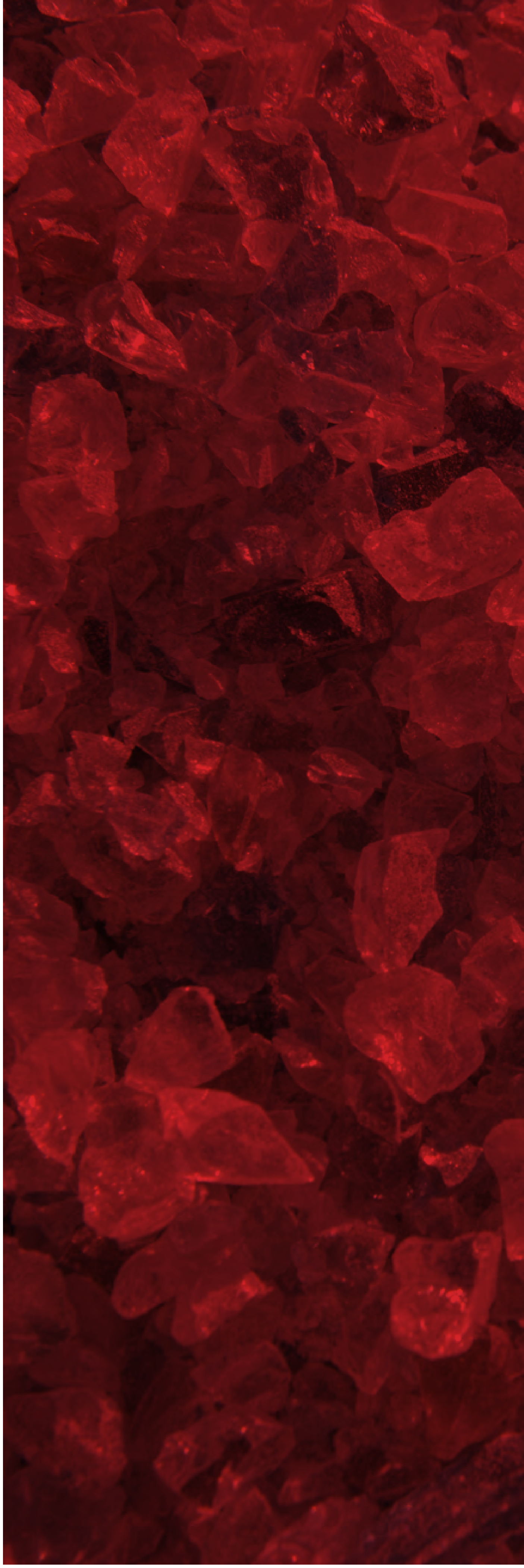
CoolCare Parts received many project orders in 2015, including those from Saudi Aramco, SABIC, Ma'aden, Saudi Arabian Oil Co, the Ministries of Health and Defense and Aviation and Marafiq - Power and Water Utility Company for Jubail and Yanbu.

> *"Success has been obtained over several decades due to dedication to the needs of customers"*

Business Operations Review (continued)

Insulation Sector

Zamil Industrial's insulation sector comprises three companies within Gulf Insulation Group **(GIG)**, namely Arabian Fiberglass Insulation Co. Ltd. **(AFICO)**, Saudi Rock Wool Factory Company **(SRWF)** and Saudi Pre-insulated Pipes Industries **(SPPI)**. Zamil Industrial is managing partner of GIG and major shareholder with 51% of the equity.



Insulation
SECTOR

At factories in Riyadh and Dammam, GIG produces the most comprehensive range of glass wool, rock wool and pre-insulated pipes in the Middle East, manufactured to the highest international standards. As the regional leader in insulation material manufacturing, GIG is highly regarded by members of the construction sector in the GCC for the top quality of its environmentally efficient insulation solutions.

In 2015, the insulation sector has seen overall revenue growth of 8.8%, with each of the three business units evidencing an increased level of sales revenue.

Insulation Sector
(continued)

Arabian Fiberglass Insulation Company (AFICO)

AFICO has seen an additional increase in revenues over the previous year, due largely to increased activity in the Saudi Arabian market. However, export sales evidenced a slight decline, primarily because of the prevailing circumstances in the region. Production also rose year-on-year, due in part to increased efficiency resulting in a decline in waste material and also to the move of Plant 1 to the premises of Plant 2.

Major projects won over the twelve months included three in Saudi Arabia for the King Abdullah Foundation for Development, King Faisal Specialized Medical Center and the Jabal Omar Development Company and two in the United Arab Emirates for the expansion of Dubai Mall and for housing units for ADOC Ruwais in Abu Dhabi.

Looking to the future, Memorandums of Understanding were signed with leading contractors and building material merchants to make AFICO their exclusive suppliers of glass wool products.

To further enhance its unique positioning in the market, AFICO has obtained UL Certification for the special fire properties of its products as well as DCL certification from Dubai Central Laboratory. Further recognition is being sought, including GREENGUARD Certification from UL in the USA and the SASO mark from the Saudi Standards, Metrology and Quality Organization.

Insulation Sector
(continued)

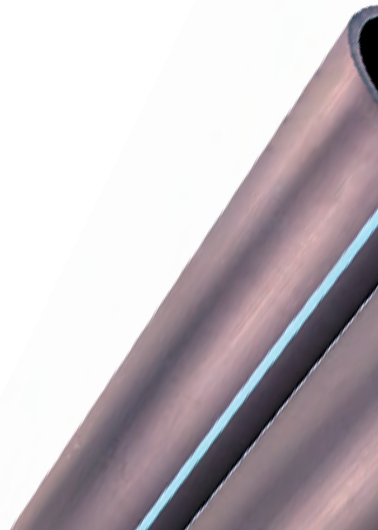
Saudi Rock Wool Factory Company (SRWF)

SRWF has seen an increase in sales in both Saudi Arabia and overseas, in part due to the availability of extra product from the factory in Al Kharj. The overall quantity of material produced rose over 2014.

An important facet of the growth in production has been the commencement of continuous operations at the new factory as well as the development and introduction of two new products: low-density mattresses and panels with bitumen facings.

SRWF has signed a number of commissions for the supply of its products to major projects including power plants in South Jeddah, Shuqaiq, Turaif and Qassim; airports in Jeddah and Riyadh; universities in Najran and overseas in Kuwait; villas for the Saudi Arabian National Guard; and projects at Ras Al-Khair and for Doha Festival City in Qatar, Petro Rabigh and Saudi Aramco Base Oil Company (Luberef).

SRWF has continued to ensure full certification for its products including from Dubai Central Laboratory, UL of the USA, FM Approvals and the European Union. The business unit also renewed its ISO 9001:2008 certification.



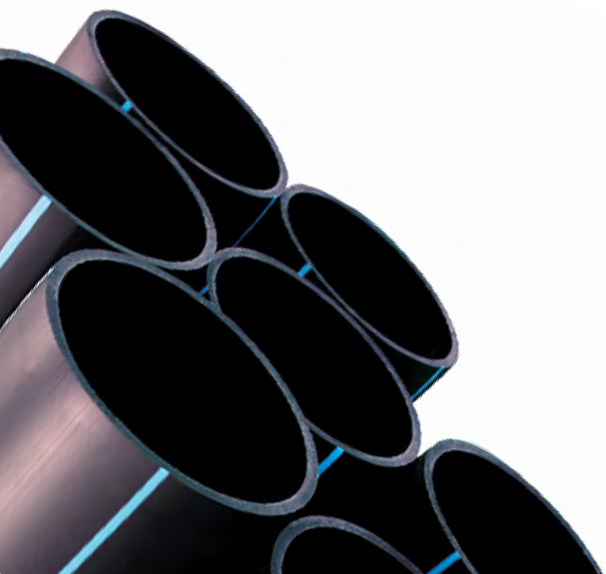
Saudi Pre-insulated Pipes Industries Co. (SPPI)

SPPI has seen marked growth in sales revenues during the year, both in Saudi Arabia and in export markets, which saw a major increase over 2014. During 2015, SPPI succeeded in obtaining its first order from Riyadh Metro and has high hopes of gleaning additional orders from that source in the future.

> *SPPI has seen marked growth in sales revenues both in Saudi Arabia and in export markets*

Looking ahead, approval is being sought from the Royal Commission for Jubail and Yanbu to enable bidding on future projects in its two locations, while the process has been initiated to develop a new product for sulphur lines for Bartec of Germany.

Certification has been renewed or updated with FM Approvals and Euro Heat and Power, while compliance with the requirements of Nitaqat for Saudization has been maintained within the business unit.



Business Operations Review (continued)

Concrete Sector

The concrete sector is represented in Zamil Industrial's portfolio by Rabiah & Nassar and Al Zamil Concrete Industries Co. Ltd. **(Ranco Zamil)**, in which the Group has a 50% equity interest.

Concrete
SECTOR

Ranco Zamil has an unsurpassed reputation in the precast concrete industry in Saudi Arabia for the design, manufacture and erection of precast buildings. Another facet of the business is the manufacture of a complete range of concrete elements, including foundations, precast panels, columns, beams, pre-stressed and hollow-care slabs and boundary walls.

Major projects during the year comprised a car park for the Ministry of Interior, the Towaiq New School Complex, a girls' academic building, Najran University Hospital and an industrial building in Durma, Saudi Arabia.

To ensure the sustainability of a safe working environment, training was provided in defined elements of health, safety and environment. Further training activities to enhance employee capabilities were also conducted on subjects that included Enterprise Resource Planning and Interviewing Skills.

Corporate and Shared Services

Zamil Industrial's Corporate and Shared Services enhances the benefits of size and ensures improved utilization of resources while delivering the synergies of the corporate organization to every business unit within Zamil Industrial. The considerable body of experience and expertise within Corporate and Shared Services is employed to promote growth and mutual cooperation throughout the business in accordance with the company's Vision and Mission.

Corporate Governance

Strong corporate governance is key to Zamil Industrial's core values, markedly impacting the management of the Group and all its stakeholder relationships, be they employee, customer, shareholder or community-based, where Zamil Industrial operates.

Abiding by its core values, Zamil Industrial seeks always to ensure the creation of long-term value. Such an obligation is a prime element of the company's Code of Business Conduct and Ethics, Corporate Governance Guidelines, the Charters of the Board of Directors' sub-committees, and the company's Disclosure Policies, which together aim to warrant the transparency and veracity of all information circulated.

Zamil Industrial is a publicly listed company, and as such it seeks to comply fully with the recommendations of the Saudi Capital Market Authority that have been formulated to ensure enhancement of the quality, transparency and levels of disclosure within publicly-quoted businesses, with the basic aim of providing a realistic environment in which investors can take meaningful decisions.

Zamil Industrial is fully committed to ensuring clarity of all its actions and in the presentation of all material facts, for which the Board of Directors bears ultimate responsibility. The Directors are also accountable for conformity with the company's values and policies and ongoing good governance.

To these ends, the Board assesses the company's performance every year; ensures that a suitable balance is maintained between the company's defined strategy and its operational and financial performance; oversees the management of risk, internal controls and the protection of assets; and keeps current all Board and management succession plans.

Internal Audit

Internal Audit's role is the provision of independent and objective opinions on Zamil Industrial's risk management, control and governance and its ongoing effectiveness in supporting the Group in attaining its desired objectives. Internal Audit examines and evaluates management controls and all plans and procedures adopted by the Group that guide its activities; provides management with the relevant information to enable effective control over all operations and corporate assets; and offers consultancy to line managers to enable them to improve risk management, governance and control.

In fulfilling its duties, Internal Audit enjoys direct access and accountability to the Chief Executive Officer and the Board of Directors, while also providing quarterly reports to the Audit Committee.

> *"Strong corporate governance is key to Zamil Industrial's core values"*

Corporate and Shared Services (continued)

Overall, Internal Audit states that Zamil Industrial's governance, risk management and internal controls are adequate and effective, with any discrepancies identified and discussed with management, and recommendations made for improvement.

During 2015, a total of 65 regular audit reports were prepared and recommendations for improvements were issued, all of which were accepted by management and forwarded to the relevant personnel for implementation. The recommendations implemented during the year included cost reductions, strengthened control over materials and fixed assets and improvements in operational efficiency.

In addition to the performance of audits, Internal Audit acts in administrative and advisory roles in preparing corporate policies and assisting and providing interpretations of policies and procedures, internal controls, contracts and any areas of concern across Zamil Industrial.

Another vital function of Internal Audit is to convey the importance of management control and the role of Internal Audit through continuing education, conducting seminars that strengthen internal and anti-fraud controls, and promoting a culture that protects the integrity of all business operations. Furthermore, it seeks to ensure the professional development of all employees, enhancing their efficiency and effectiveness. In order to achieve this level of professional development, a number of auditors has been enrolled in professional courses in Saudi Arabia and overseas.

In the final analysis, Internal Audit's recommendations have proven markedly beneficial to Zamil Industrial in reducing costs, strengthening control over inventory and fixed assets, enhancing operational efficiency and ensuring better understanding of internal controls at every organizational level.

Legal Affairs

Legal Affairs is key to the creation of a culture of compliance wherever Zamil Industrial maintains operations, whether domestically, overseas or as part of the Group's in-house legal counsel. As in past years, Legal Affairs has seen considerable activity in managing legal risk in all business units while also rigorously reviewing various agreements.

The support provided covers diverse documents from commercial contracts to Memorandums of Understanding and distributorship to non-disclosure agreements. The department also prepares company board and partners' agreements, articles of association or their amendments, and powers of attorney. It also provides legal advice on corporate restructuring or dissolution and on due diligence.

Major activity in 2015 has included the revision of the maintenance and warranty policy of the HVAC sector to meet the requirements of the Saudi Ministry of Commerce and Industry and the Saudi Standards, Metrology and Quality Organization regulations. Prompt attention was given also to all new and renewed trademark registrations.

> *"Zamil Industrial is fully committed to ensuring clarity of all its actions and in the presentation of material facts"*

Corporate and Shared Services (continued)

> *At the year end Zamil Industrial's headcount was 11,449, including a number of females, of which 22.7% were Saudi nationals – an increase of 25% year-on-year*

Human Capital

The Corporate Human Resources Department (Human Capital) has been very active in 2015, ensuring the availability of new recruits to Group companies by completing the fully automated recruitment process using Oracle Taleo software; identifying talent within the workforce as part of succession planning; and pursuing a Leadership Development Curriculum for four levels of leadership with the aim of providing opportunities for high-performing or high-potential individuals in either management roles or Zamil Industrial's talent pool.

Recruitment activities in 2015 included participation in the "Wadaef Job Fair 2015", organized by Asharqia Chamber of Commerce, and the presentation of employment opportunities to King Fahd University of Petroleum and Minerals graduates at "Open Employment Day".

At the end of the year under review, Zamil Industrial's headcount was 11,449, including a number of females, a decrease of 2.3% over a year earlier, but with Saudi nationals increasing by 25% year-on-year, ensuring an overall Saudization ratio of 22.7% equally divided across the Group's main sectors – a figure that confirms Zamil Industrial to be in compliance with the existing Nitaqat nationalization program requirements. In support of its localization policies, the Director General of the Human Resource Development Fund paid a visit to Zamil Industrial to discuss and encourage the Group's employment activities.

Training to meet development needs has been offered through 49 courses totaling 206 days, of which 37 courses were external and 12 were held in-house. A formal talent review was initiated during the year in which 498 critical roles were reviewed for attrition risks and succession planning.

The setting of performance targets among employees has been integral to Zamil Industrial's Human Capital activity for some years. In 2015, fourteen high achievers received awards for exceeding their set targets over five years and 204 were recognized for a similar achievement over two years. In line with the company's strategic human capital agenda, the 2015 Talent Review Program was launched to identify those employees of greatest potential.

Diversity is a key facet of the Group's Human Capital agenda and so, working with the Qaderoon Business Disability Network, persons with disabilities are sought for employment in Group business units. Meanwhile, awareness sessions were conducted for in-house advocates with Zamil Industrial receiving Mowamaah certification by attaining a score of 42% as against a minimum requirement of 15%.

Human Capital facilitates extracurricular activities at Zamil Industrial and during the past year teams from within the Group participated successfully in a number of sports competitions, including bowling, basketball, football and cricket. Furthermore, during Ramadan, a number of business units held Iftar parties for their employees.

Training

High-quality training has been a prime feature of the commercial success of Zamil Industrial over many years. To ensure the ongoing provision of such training the Zamil Higher Institute for Industrial Training was established. It has obtained accreditation from international organizations, the latest of which is that of the National Examination Board in Occupational Health and Safety (NEBOSH – UK).

This latest accreditation allows the Institute to deliver two new qualifications: IGC-NEBOSH, an International General Certificate in Occupational Health and Safety and IOGC-NEBOSH, the International Technical Certificate in Oil and Gas Operational Safety, both of which are in high demand by companies operating in Saudi Arabia. Preparation for introducing these courses will be made during the coming year.

Meanwhile, the Institute has continued to provide training both for Group companies and external clients, the latter of which now number some fifteen, an increase over the previous year. Within Zamil Industrial, the Institute provides training to newly recruited Saudi national employees, enabling them to attain Technical and Vocational Training

Corporate and Shared Services (continued)

Corporation-accredited diplomas in the technologies of welding and fabrication, refrigeration and air conditioning, and manufacturing and production. HVAC training was provided also to Zamil Air Conditioners and Zamil CoolCare and their clients, including those from Saudi Electricity Company.

Evidence of the standard of training provided at the Institute is the extension of its agreement with Schlumberger Middle East to provide one-year courses on oilfield technology in 2016 for forty additional company employees, sixty of whom obtained diplomas during the past year. New contracts also included those with National Contracting Company for 50 newly recruited Saudi employees as part of that company's Saudization program; with the Ministry of Defense for specialized training for employees of its Directorate of Construction and Maintenance on refrigeration and air conditioning technology; and with King Fahd Specialist Hospital in Dammam.

Aside from the Training Institute, Zamil Air Conditioners has established and maintains a popular training institute that provides intensive technical training programs for employees of clients and contractors.

Information Technology

Over the past four years, the technology environment has been substantially upgraded to ensure greater coordination across all business units. Continued investment in emerging technologies ensures that the considerable opportunities that occur globally can be accessed by Zamil Industrial, achieving seamless convergence between information technology and operational technology.

The target of "single instance" ERP has been attained, thereby standardizing business processes across Group businesses in Saudi Arabia and the United Arab Emirates. Furthermore, seventeen global cloud-based applications have been rolled out to business users, including the migration of e-mail services to the cloud. This ensures that Zamil Industrial sustains a hybrid and collaborative environment so critical to the Group's future and its continued ability to drive commercial excellence.

Following the introduction of the “Enterprise Business Process Management” function, tremendous progress has been made in identifying and improving processes to achieve quantifiable business impact.

Looking ahead, Zamil Industrial seeks to introduce more “Digital Transformation” initiatives to include Smart Manufacturing and Devices, the adoption of the “Internet of Things” and Predictive Maintenance while increased effort will be made to integrate various digital initiatives, creating a clear digital vision evidencing how the business as a whole will deliver revenue-generating digital experiences. Also, increased attention will be given to Compliance Management, Data Protection and Disaster Recovery to ensure full compliance with privacy regulations, policies and crisis management.

In terms of IT support, 13,542 incidents were resolved in 2015, a 14% increase over those during the previous year. Of these, 64% were related to workplace management and 84% of all incidents were resolved the same day. A customer satisfaction survey indicated 94% of respondents were satisfied with the IT service provided.

Further statistics indicate that more than 52 terabytes of business data were exchanged between the Dammam Data Center and area offices over the twelve months while the number of inbound filtered emails fell to 9.2 million from 11.2 million in 2014 as a result of Lync usage across Zamil Industrial globally.

> *“Diversity is a key facet of the Group’s Human Capital agenda”*

Reviewing the year as a whole, it is evident that solutions and not just technology are being delivered, so ensuring that the Information Technology Group can remain agile and relevant in the face of changing business priorities.

Loss Prevention and Safety

The Loss Prevention Department (LPD) plays a vital role in instilling Health, Safety and Environment (HSE) awareness in every Zamil Industrial employee, wherever they may be, so ensuring avoidance of potential hazards to the Group’s operations, other employees and the immediate and wider environment.

Throughout the ongoing implementation of LPD’s programs and activities, a significant reduction has been seen in occupational incidents. Overall HSE incident rates have declined 46% in just three years and lost time injuries have fallen 37% over the same period; frequency and severity rates have been significantly reduced compared to a year earlier; incident free days have improved by 38% over the figure for 2014; and the indirect costs of occupational injuries have declined by 36%.

A prime element of these significant reductions has been the continuous implementation of HSE Training and Awareness programs, of which 764 sessions were held in 2015 with a total of 7,156 participants. In addition, LPD conducted Supervisor’s Safety Development training sessions for managers and supervisors of a number of Zamil Industrial’s business units in Saudi Arabia, and carried out HSE surveys in Riyadh joint venture factories and at the Group’s factories in India and Vietnam.

Furthermore, two three-day Safety, Health and Environment Management System orientation programs were held for twenty-two line managers with the aim of promoting a positive safety culture Group-wide.

Corporate Social Responsibility, Environment, Sponsorships and Recognition

Corporate Social Responsibility

Integral to Zamil Industrial's core values is a commitment to encourage, support and implement social responsibility programs and to provide sustainable community service initiatives. In pursuing this agenda, Zamil Industrial, in collaboration with the Qaderoon Business Disability Network and Asharqia Chamber, organized an event aimed at raising awareness of and encouraging people with disabilities to participate in the labor market.

Zamil Industrial led the way in establishing the Qaderoon Business Disability Network, which was officially launched in 2014 by the Ministry of Labor in collaboration with a number of private-sector companies. The Network aims to motivate employers to include people with disabilities as equal, effective members of the workforce and to provide guidance, advice, and indications of best practice to employers to facilitate the recruitment and retention of employees with disabilities by advocating for favorable government policy for disabled workers and a disability-friendly work environment.

A further commitment was made to the Saudi Food Bank (Eta'am) of which Zamil Industrial was a founder and is now an active, ongoing participant. Begun in the Eastern Province to provide needy families with food, the facility first opened a branch in Riyadh and, after rapid expansion over the course of 2015, now has further branches under trial in Jeddah, Jubail and Qatif, ready for full operation during the coming twelve months. As the year ended, a new branch was also under consideration and expected to open in Yanbu in the third quarter of 2016.

In addition to seeking to broaden the activities of the charitable association, 2015 witnessed considerable growth in the provision of preserved meals, with more than one million prepared during the year. The year also witnessed Eta'am's implementation of the ISO 9001 quality management program, the issuance of the Eta'am magazine and the launch of the Eta'am app on smart phones, raising awareness of the society among the population at large.

As part of its commitment to the Saudi Food Bank, Zamil Industrial signed an investment agreement to lease two residential buildings containing a total of 560 rooms in Dammam Second Industrial City as part of the association's Mortmain (Waqf) property. This investment agreement is the first of a series that will follow in the coming months, including the construction of Eta'am's headquarters building. The aim of the present and future agreements is the generation of revenues in support of Eta'am's activities.

2015 has seen further practical and financial participation by Zamil Industrial in Endeavor KSA, which is part of a global organization seeking to "transform the economies of emerging markets by indentifying and supporting high-impact entrepreneurs". In the local context, Endeavor KSA has selected twelve high-impact entrepreneurs leading nine companies, provided more than 250 mentoring hours, created more than 450 high-quality jobs and contributed 0.02% to the Kingdom's GDP during the year.

In terms of sponsorship, Zamil Industrial supported the Sanad Al-Khair awareness campaign, conducted by Sanad Children's Cancer Support Association during Ramadan at several commercial malls in Riyadh, as well as Ramadhan Iftars for both the Social Nursery Center and the Cooperative Office for Guidance & Community Enlightenment (Dawah) in Dammam. But participation in socially responsible activities is by no means confined to Saudi Arabia. Zamil Steel India celebrated Children's Day with the Astitva Pratishthan Group, which helps children from migratory and nomadic tribes, and Zamil Steel Vietnam participated in National Blood Donation

Corporate Social Responsibility, Environment, Sponsorships and Recognition (continued)

Day, donated funds for distribution to families in flood hit areas of Asia, and launched a Scholarship Fund for fourth-year students of the National University of Civil Engineering.

Environment, Energy Efficiency and Conservation

Zamil Industrial is always vigilant in seeking ways to reduce the environmental impact of the company's factories, shipping methods and production processes

All Zamil Industrial businesses and their employees remain committed to implementing innovative solutions to maximize and improve energy efficiency and to reduce gas and toxic emissions, thereby ensuring maximum protection of the environment. Furthermore, every effort is made to conserve water and energy and to reduce both corporate and personal carbon footprints.

In attaining these aims, the recycling of the maximum amount of waste materials is a priority and every effort is made to attain and maintain all established standards for air quality, sewage, potable water and noise levels.

Sponsorships

Zamil Industrial participated in the "Invest Saudi" exhibition, which was part of the U.S.-Saudi Investment Forum 2015 in Washington, D.C., and showcased the many products and services of Saudi corporations to U.S. companies.

Abdulla M. Al Zamil participated in the eighth edition of the Global Competitiveness Forum 2015 that focused on the theme "Competitive Governments". In his presentation, during the "Developing Jobs for Women in Manufacturing" session, he discussed the challenges of attracting women to work in the manufacturing sector and addressed the steps taken to ease their entry into this field.

Several business units, including Zamil Steel Pre-engineered Buildings, Building Component Solutions Company, Gulf Insulation Group companies, Zamil Structural Steel Company and Zamil Process Equipment Company, participated in regional and global exhibitions and conferences. They included "Big 5 Saudi 2015" in Jeddah; "FABEX Saudi Arabia 2015", Saudi International Water, Electricity and Power Generation Conference and Exhibition (WE Power 2015), the "Big 5 Show 2015" in Dubai, "Saudi Build 2015 Exhibition" and the Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC 2015). The primary aim of such participation was to showcase the latest innovative products of the participating companies.

As in previous years, Zamil Steel Vietnam participated in a number of important exhibitions and conferences among which were Philconsult Visayas 2015 in Cebu, Philconstruct Manila 2015, Davao Trade Expo 2015 and The Architect Expo 2015 in Bangkok. Zamil Steel Vietnam was also the main sponsor and a prominent participant in an international conference on "The Prospects for Economic Cooperation between Vietnam and the Middle East and Africa".

The year included high-profile visits to Zamil Industrial's facilities, including delegations from Cuba, Dammam University, the Ministry of Defense and British Aerospace, Dar Al-Youm for Press, Printing and Publishing, and King Fahd University of Petroleum and Minerals. Individual visitors included the Ambassador of France to the Kingdom, and the Chairman and CEO of CIS Catering International and Services Company. In Vietnam, the Saudi Ambassador to the country was welcomed by Zamil Steel Vietnam.

Separately, Zamil Air Conditioners received several delegations of students from the Charitable Society for the Memorization of the Quran; the Saudi-Bahraini Business Council, an event organized by the Saudi Industrial Property Authority; and the Saudi Quality Council to ascertain the business unit's experience in implementation of Kaizen principles to improve quality.

Recognition

The director of the Corporate Loss Prevention Department received the Certificate of Recognition for Excellence in Safety from the United Safety Council for the second consecutive year, while the Group's Chief Information Officer received the "CIO 100 Award" for Innovation in IT from International Data Group's Computer News ME magazine as one of the top 100 C-Level IT talents across the region. Of particular importance was the award given to a female production supervisor in Zamil Air Conditioners, who won the "Israr Award 2014" from the Ministry of Labor for being the "most committed Saudi woman in the job seeker category".

During the course of the year, Zamil Steel Construction Company received recognition for Performance Excellence from Técnicas Reunidas, Zamil Structural Steel Company was the recipient of the Tekla Middle East BIM Award (Business Information Modeling) for Engineering Excellence on the King Abdulaziz Center for World Culture Project, and CoolCare was honored to receive the Inaugural MaxChoice Power Award for providing high quality field service to customers.

Recognition of the success of the Group's safety performance was received during the year in the form of the Bronze Award for Corporate Safety 2015 from the United Safety Council in the USA. In selecting Zamil Industrial, the Council recognized the outstanding and unique safety initiatives taken including the HSE Management Audit, the STARRT Program and the Safety Key Performance Index, which combined to significantly improve overall corporate safety performance. Receipt of this award is testament to the fact that safety is one of the core competitive advantages of Zamil Industrial, leading to safer and more profitable investment decisions.

Zamil Steel Vietnam has again been awarded the prestigious Golden Dragon award for the 12th successive year as the "Best Product Supplier" in the Construction and Construction Materials Category. As one of the winners of the Golden Dragon Award, Zamil Steel Vietnam was also noted for making a recognizable contribution to the local community through charity and social activities.

Consolidated Financial Statements and **Auditors' Report**

31 December 2015

Auditors' Report

To the Shareholders of Zamil Industrial Investment Company (A Saudi Joint Stock Company) and Its Subsidiaries

SCOPE OF AUDIT:

We have audited the accompanying consolidated balance sheet of Zamil Industrial Investment Company, A Saudi Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as the "Group") as at 31 December 2015 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Company's board of directors and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. 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 degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion

In our opinion, the consolidated financial statements taken as a whole:

i) present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and the consolidated results of its operations and its cash flows for the year then ended in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

Abdulaziz Saud AlShubaibi
Certified Public Accountants
Registration No. 339

Al Khobar
12 Jumada' I 1437H
21 February 2016

Consolidated Balance Sheet
As at 31 December 2015

	Note	2015 SR'000	2014 SR'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	**355,424**	309,721
Accounts receivable and prepayments	5	**1,882,036**	1,791,828
Amounts due from related parties	9	**38,651**	58,823
Value of work executed in excess of billings	6	**284,009**	330,121
Current portion of net investment in finance lease	7	**19,904**	19,078
Inventories	8	**1,764,507**	1,597,271
TOTAL CURRENT ASSETS		**4,344,531**	4,106,842
Non-Current Assets			
Property, plant and equipment	10	**1,390,010**	1,415,984
Investments in associates	11	**93,340**	96,498
Available for sale investments	12	**89,496**	110,336
Net investments in finance lease	7	**405,710**	425,614
Amounts due from a related party	9	**33,850**	33,850
Other intangible assets	13	**6,397**	20,926
Goodwill	14	**80,126**	110,706
TOTAL NON-CURRENT ASSETS		**2,098,929**	2,213,914
TOTAL ASSETS		**6,443,460**	6,320,756
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payables and accruals	15	**1,353,114**	1,292,313
Billings in excess of value of work executed	16	**94,876**	80,726
Amounts due to related parties	9	**21,332**	22,609
Short term loans	17	**1,956,147**	1,993,448
Current portion of term loans	18	**138,350**	156,463
Provision for zakat and income tax	19	**58,721**	52,616
TOTAL CURRENT LIABILITIES		**3,622,540**	3,598,175
Non-Current Liabilities			
Term loans	18	**313,338**	403,915
Employees' terminal benefits	20	**356,558**	320,931
TOTAL NON-CURRENT LIABILITIES		**669,896**	724,846
TOTAL LIABILITIES		**4,292,436**	4,323,021
SHAREHOLDERS' EQUITY			
Equity Attributable to the Shareholders of the Company			
Share capital	21	**600,000**	600,000
Statutory reserve		**280,471**	254,170
Retained earnings		**955,036**	840,330
Proposed dividends	22	**60,000**	60,000
Foreign currency translation reserve		**(10,361)**	(11,980)
		1,885,146	1,742,520
Non-Controlling Interests	23	**265,878**	255,215
TOTAL SHAREHOLDERS' EQUITY		**2,151,024**	1,997,735
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		**6,443,460**	6,320,756

The attached notes 1 to 33 form part of these consolidated financial statements.

Consolidated Statement of Income

Year ended 31 December 2015

	Note	2015 SR'000	2014 SR'000
REVENUE			
Sales		**4,599,875**	4,630,323
Contracts revenue		**870,221**	805,805
Finance lease income		**18,499**	19,291
		5,488,595	5,455,419
DIRECT COSTS			
Cost of sales		**(3,426,227)**	(3,447,392)
Contracts costs		**(757,085)**	(660,640)
GROSS PROFIT		**1,305,283**	1,347,387
EXPENSES			
Selling and distribution	24	**(456,996)**	(534,592)
General and administration	25	**(440,768)**	(406,920)
INCOME FROM MAIN OPERATIONS		**407,519**	405,875
Other income, net	26	**32,479**	19,006
Financial charges		**(68,514)**	(81,488)
Impairment loss on goodwill	14	**(30,580)**	(23,957)
Impairment loss on available for sale investments	12	**(20,840)**	-
Other intangible assets written off	13	**(14,428)**	-
INCOME BEFORE SHARE IN RESULTS OF ASSOCIATES, NON-CONTROLLING INTERESTS AND ZAKAT AND INCOME TAX		**305,636**	319,436
Share in results of associated companies	11	**(3,158)**	902
INCOME BEFORE NON-CONTROLLING INTERESTS, ZAKAT AND INCOME TAX		**302,478**	320,338
Non-controlling interests	23	**(11,125)**	(21,494)
INCOME BEFORE ZAKAT AND INCOME TAX		**291,353**	298,844
Zakat and income tax	19	**(28,346)**	(38,504)
NET INCOME FOR THE YEAR		**263,007**	260,340
EARNINGS PER SHARE			
Attributable to main operations	27	**6.79**	6.76
Attributable to net income	27	**4.38**	4.34
Weighted average number of shares outstanding (Thousand shares)	21	**60,000**	60,000

The attached notes 1 to 33 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	2015 SR'000	2014 SR'000
OPERATING ACTIVITIES		
Income before share of non-controlling interests, zakat and income tax	**302,478**	320,338
Adjustments for:		
Depreciation	**161,381**	156,033
Amortisation of other intangible assets	**675**	1,296
Amortisation of prepaid financial charges	**1,385**	1,847
Impairment loss on goodwill	**30,580**	23,957
Impairment loss on available for sale investments	**20,840**	-
Other intangible assets written off	**14,428**	-
Employees' terminal benefits, net	**35,627**	26,926
Financial charges	**68,514**	79,641
(Gain)/loss on disposal of property, plant & equipment	**(922)**	467
Share in results of associates	**3,158**	(902)
Gain on disposal of investments in associates	**-**	(14,080)
	638,144	595,523
Changes in operating assets & liabilities:		
Accounts receivable and prepayments	**(90,208)**	(28,270)
Amounts due from related parties	**20,172**	4,378
Value of work executed in excess of billings	**46,112**	25,422
Net investment in finance lease	**19,078**	18,287
Inventories	**(167,236)**	327,830
Accounts payables and accruals	**58,801**	(19,940)
Billings in excess of value of work executed	**14,150**	418
Amounts due to related parties	**(1,277)**	(12,838)
Cash from operations	**537,736**	910,810
Financial charges paid	**(68,514)**	(79,641)
Zakat and income tax paid	**(22,241)**	(44,875)
Net cash from operating activities	**446,981**	786,294
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(136,614)**	(137,522)
Proceeds from disposal of property, plant and equipment	**2,129**	4,961
Proceeds from disposal of investments in associates	**-**	16,875
Addition to other intangible assets	**(574)**	(14,646)
Net cash used in investing activities	**(135,059)**	(130,332)
FINANCING ACTIVITIES		
Proceeds from short term loans	**19,163,196**	15,112,921
Repayments of short term loans	**(19,200,497)**	(15,879,326)
Proceeds from term loans	**72,987**	529,928
Repayments of term loans	**(183,062)**	(221,794)
Dividends paid	**(120,000)**	(120,000)
Non-controlling interests, net	**(462)**	(15,503)
Net cash used in financing activity	**(267,838)**	(593,774)
INCREASE IN CASH AND CASH EQUIVALENT	**44,084**	62,188
Cash and cash equivalents at the beginning of the year	**309,721**	250,966
Net movement in foreign currency translation reserve	**1,619**	(3,433)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**355,424**	309,721

The attached notes 1 to 33 form part of these consolidated financial statements.

Consolidated Statement Of Cash Flows (continued)

Year ended 31 December 2015

	2015 SR'000	2014 SR'000
NON CASH TRANSACTIONS:		
Goodwill re-classified to investment in associate on de-consolidation of a subsidiary (note 11)	-	23,880
Net assets of a subsidiary transferred to investment in associate on de-consolidation of a subsidiary (note 11)	-	22,916
Receivable on account of disposal of investment in an associate	-	5,625
Consolidation of net assets of an associate on de-recognition of investment in an associate (note 11)	-	(367)
Consideration of a consolidated subsidiary settled through a related party	-	(353)
Foreign exchange loss on property, plant and equipment	**2,290**	3,916
Directors remuneration accrued during the year	**(2,000)**	(2,000)

The attached notes 1 to 33 form part of these consolidated financial statements.

Consolidated Statement of Changes in Shareholders Equity

Year ended 31 December 2015

EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY

	Share capital	Statutory reserve	Retained earnings	Proposed dividends	Foreign currency translation reserve	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Balance at 31 December 2013	600,000	228,136	728,024	60,000	(7,618)	1,608,542
Net income for the year	-	-	260,340	-	-	260,340
Transfer to statutory reserve	-	26,034	(26,034)	-	-	-
Dividends paid (note 22)	-	-	(60,000)	(60,000)	-	(120,000)
Proposed cash dividends (note 22)	-	-	(60,000)	60,000	-	-
Directors' remuneration	-	-	(2,000)	-	-	(2,000)
Net movement in foreign currency translation reserve	-	-	-	-	(4,362)	(4,362)
Balance at 31 December 2014	600,000	254,170	840,330	60,000	(11,980)	1,742,520
Net income for the year	-	-	263,007	-	-	263,007
Transfer to statutory reserve	-	26,301	(26,301)	-	-	-
Dividends paid (note 22)	-	-	(60,000)	(60,000)	-	(120,000)
Proposed cash dividends (note 22)	-	-	(60,000)	60,000	-	-
Directors' remuneration	-	-	(2,000)	-	-	(2,000)
Net movement in foreign currency translation reserve	-	-	-	-	1,619	1,619
BALANCE AT 31 DECEMBER 2015	**600,000**	**280,471**	**955,036**	**60,000**	**(10,361)**	**1,885,146**

The attached notes 1 to 33 form part of these consolidated financial statements.

1- ORGANIZATION AND ACTIVITIES

Zamil Industrial Investment Company ("the Company") is converted to a Saudi Joint Stock Company in accordance with the Ministerial Resolution number 407 dated 14 Rabi' I 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. The Company is registered in the Kingdom of Saudi Arabia under Commercial Registration number 2050004215 dated 19 Ramadan 1396H (corresponding to 14 September 1976) with the following branches in the Kingdom of Saudi Arabia:

Commercial registration number	Date	Location
4030030354	19 Rajab 1401H	Jeddah
2050033721	1 Safar 1419H	Dammam
1010037370	25 Rabi' II 1401H	Riyadh
2050064535	10 Rabi' II 1430H	Dammam
3550015950	14 Rabi' I 1421H	Dammam
4031039954	23 Jumada' I 1421H	Dammam

The Company has investment in the following subsidiaries:	Effective Ownership Percentage	
	2015	2014
Universal Building Systems limited - Jersey	-	100%
Zamil Steel Holding Company - Saudi Arabia	100%	100%
Zamil Steel Pre-Engineered Buildings Company - Saudi Arabia	100%	100%
Zamil Structural Steel Company - Saudi Arabia	100%	100%
Zamil Towers and Galvanizing Company - Saudi Arabia	100%	100%
Zamil Process Equipment Company - Saudi Arabia	100%	100%
Zamil Air Conditioners and Household Appliances - Saudi Arabia	100%	100%
Zamil Central Air Conditioners - Saudi Arabia	100%	100%
Zamil Air Conditioners Holding Company - Saudi Arabia	100%	100%
Zamil Air Conditioners and Refrigeration Services - Saudi Arabia	100%	100%
Zamil Steel Buildings Company - Egypt	100%	100%
Zamil Steel Buildings (Shanghai) Company Limited - China	100%	100%
Cooling Europe Holdings GmbH - Austria	100%	100%
Clima Tech Air Conditioners GmbH - Austria	100%	100%
Zamil Steel Buildings India Private Limited - India	100%	100%
Zamil Steel Engineering India Private Limited - India	100%	100%
Arabian Stonewool Insulation Company - Saudi Arabia	100%	100%
Ikhtebar Company Limited - Saudi Arabia	100%	100%
Zamil Energy Services Company ("ZESCO") - Saudi Arabia	100%	100%
Zamil Industrial Investment Company - UAE	100%	100%
Zamil Steel Industries Abu Dhabi (LLC) - UAE	100%	100%
Zamil Steel Buildings (Thailand) Co. Limited - Thailand	100%	100%
Zamil Steel Construction Company - Saudi Arabia	100%	100%
Zamil Structural Steel Company - Egypt	100%	100%
Zamil Construction India PVT. Ltd. - India	100%	100%
Building Component Solutions Company - Saudi Arabia	100%	100%
Zamil Information Technology Global Private Limited - India	100%	100%
Zamil Higher Institute for Industrial Training Company - Saudi Arabia	100%	100%
Second Insulation Company Limited - Saudi Arabia	100%	100%

The Company has investment in the following subsidiaries:	Effective Ownership Percentage	
	2015	2014
Zamil Air Conditioners India Private Limited ("ZAC") - India	**100%**	100%
Saudi Central Energy Company Limited	**100%**	100%
Zamil Industrial Investment Company Asia Pte. Ltd - Singapore	**100%**	100%
Zamil Inspection and Maintenance of Industrial Projects Company Ltd.- Saudi Arabia	**100%**	100%
Zamil Steel Buildings Vietnam Company Limited	**92.27%**	92.27%
Gulf Insulation Group ("GIG")	**51%**	51%
Saudi Rockwool Factory Company Ltd. ("SRWF") - Saudi Arabia	**51%**	51%
First Insulation Company Ltd. ("FIC") - Saudi Arabia	**51%**	51%
Arabian Fiberglass Insulation Co. Ltd - Saudi Arabia ("AFICO")	**51%**	51%
Saudi Preinsulated Pipes Industries Company Limited ("SPPI")	**51%**	51%
Middle East Air Conditioners Company Limited - Saudi Arabia	**51%**	51%
Zamil Hudson Company Limited - Saudi Arabia	**50%**	50%
Petro-Chem Zamil Company Limited - Saudi Arabia	**50%**	50%

The Company and its subsidiaries listed above (collectively referred to as the "Group") are engaged in design and engineering, manufacturing and fabrication of construction materials, pre-engineering steel buildings, steel structures, air conditions and climate control systems for commercial, industrial and residential applications, telecom and transmutation towers, process equipment, fiberglass, rockwool and engineering plastic foam insulation, and solar power projects.

On 14 April 2015, Universal Building Systems Limited - Jersey, a subsidiary, was dissolved. As the subsidiary did not have any assets or liabilities on that date, no loss or profit have been recognised in the consolidated statement of income in respect of the dissolution.

On 1 October 2014, the Company lost its control over Rabiah & Nassar and Zamil Concrete Industries Co. Ltd ("RANCO") - which is registered in Saudi Arabia and engaged in the production of concrete products, asphalt and polystyrene. Accordingly, RANCO had been de-consolidated effective the same date with recognition of an impairment loss of SR 9 million relating to goodwill considering the loss of control and future expected performance of RANCO (note 11).

On 1 January 2014, the Group acquired the remaining 50% of Saudi Central Energy Company Limited. Accordingly, the assets, liabilities and results of operations of this subsidiary have been consolidated effective from 1 January 2014. The legal formalities in respect of this transaction have been completed on 19 November 2015.

2- BASIS OF PREPARATION

These consolidated financial statements include assets, liabilities and the results of the operations of the Company and its subsidiaries as disclosed in note (1) above. A subsidiary company is that in which the Group has, directly or indirectly, long term investment comprising an interest in the voting capital which it exerts control. A subsidiary company is consolidated from the date on which the Group obtains control until the date that control ceases. The consolidated financial statements are prepared on the basis of the individual financial statements of the Company and the financial statements of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, income, expenses, unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interest represents the portion of profit or loss and net assets that are not held by the Group and are presented separately in the consolidated statement of income and within shareholders' equity in the consolidated balance sheet, separately from shareholders' equity attributable to the Company.

3- 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:

Accounting convention
The consolidated financial statements are prepared under the historical cost convention and modified to include the measurement at fair values of the derivative financial instruments and available for sale investments.

Use of estimates
The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, bank balances and time deposits with original maturity of three months or less from the acquisition date which are subject to an insignificant risk of changes in value.

Accounts receivable
Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Inventories
Inventories are stated at the lower of cost or market value. Costs are those expenses incurred in bringing each product to its present location and condition and is calculated on the following basis:

Raw materials	- purchase cost on a weighted average basis.
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity.
Goods in transits	- cost of direct materials which are under shipment and for which risks and rewards have passes to the company and are stated at cost.

Net investment in finance lease
Leases where the Group transfers substantially all of the risks and benefits of ownership of the assets through its contractual agreement to the customer are considered as finance leases. The amounts due from the lessee are recorded in the consolidated balance sheet as financial assets and are carried at the amount of the net investment in the finance lease after making provision for impairment. Net investment in finance lease comprises gross amounts receivable under finance leases less unearned finance income.

Available for sale investments
These represent investments which are neither bought with the intention of being held to maturity nor for trading purposes. Such investments are stated at fair value. Changes in fair value are credited or charged to the consolidated statement of changes in shareholders' equity. Where there is an objective evidence that investments may be impaired, the estimated recoverable amount of those investments is determined and any impairment loss for the difference between the recoverable amount and the carrying amount is recognized in the consolidated statement of income.

For investment traded in active market, fair value is determined by reference to quoted market bid prices. For unquoted equity investments, fair value is determined by reference to the market value of similar investments or is based on the expected discounted cash flows and other relevant factors. Cost is considered to be the fair value where there is no reliable fair value information is available for such investments.

Where partial holdings are sold, the related carrying values of such investments are accounted for on a weighted average basis.

Investments in associates
Investment in an associate where the Group has significant influence over the investee financial and operational decisions, normally where the Group own stake between 20% to 50% of the capital of the investee company, is accounted for using the equity method.

Under the equity method, the investment in an associate is carried in the consolidated balance sheet at cost adjusted by the changes in the Group's share of net assets of the associate. The consolidated statement of income reflects the share in results of the associates. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any change and discloses this, when applicable, in the consolidated statement of changes in shareholder's equity. Profits and losses resulting from transactions between the Group and the associates are eliminated to the extent of interest in an associate.

The financial statements of the associates are prepared for the same period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Property, plant and equipment /depreciation
Property, plant and equipment are initially recorded at cost and are stated at cost less accumulated depreciation and any impairment in value. Freehold land and construction work in progress are not depreciated. The cost of other property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

Expenditure for repair and maintenance are charged to the consolidated statement of income as incurred. Improvements that increase the value or materially extend the useful life of the related assets are capitalised.

Other intangible assets /amortisation
Costs which have a long term future benefit are treated as other intangible assets and are amortized over the estimated period of benefit.

Business combination and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost being the excess of the consideration transferred over fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Where goodwill forms part of a cash generating unit ("CGU") and part of the operation within that unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed off and the portion of the cash generating unit retained.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at each reporting date.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the consolidated statement of income.

Impairment of non-current assets
The carrying values of non current assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. The excess of carrying value over the estimated recoverable amounts is charged to the consolidated statement of income.

Impairment and uncollectibility of financial assets
An assessment is made at each consolidated balance sheet date to determine whether there is an objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of income.

(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flow discounted at the current market rate of return for a similar financial asset.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group.

Provisions
Provision is made when the Group has an obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and can be measured reliably.

Loans and borrowings
Loans and borrowings are recognised at the proceeds received value by the Group.

Prepaid financial charges
Prepaid financial charges represent the debt acquisition fees which are paid in advance for obtaining the term loans. These financial charges are deferred and amortised over the remaining loan periods using the effective interest method or on straight line basis method, providing that using straight line method will not have results that are materially different from using the effective interest method. The unamortised balance is presented as a contra account with loan balance.

Warranties
Amounts are accrued on an estimated basis to meet possible future costs under warranty commitments and are included under accounts payables and accruals (note 15).

Zakat and income tax
Zakat is provided for the Company and for subsidiaries operate inside the Kingdom of Saudi Arabia in accordance with Saudi Arabian fiscal operation. Income tax is provided for in accordance with fiscal authorities in which the Group's subsidiaries operate outside the Kingdom of Saudi Arabia. Provision for zakat and income tax is charged to the consolidated statement of income. Additional amounts, if any, that may become due on finalization of the zakat and income tax assessments are accounted for in the year in which assessments is finalized.

Employees' terminal benefits
Provision is made for amounts payable related to the accumulated periods of service at the balance sheet date in accordance with the employees' contracts of employment.

Statutory reserve
As required by Saudi Arabian Regulations for Companies, the Company has transferred 10% of its income for the year 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.

Revenue
Sales
Sales represent the invoiced value of goods supplied and services rendered by the Group during the year. Sales from sale of goods are recognised, net of discount, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably; normally on delivery to the customer. Sales from rendering of services are recognised when contracted services are performed.

Contract revenue
Revenue on long term contracts, where the outcome can be reliably estimated, is recognized under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion of the costs incurred to date to the estimated total costs of a contract. The value of work completed but not billed at the consolidated balance sheet date is classified as "value of construction work executed in excess of billings" under current assets in the consolidated balance sheet. Amounts billed in excess of work completed at the consolidated balance sheet date is classified as "billings in excess of value of construction work executed" under current liabilities in the consolidated balance sheet. Profit is not recognized on a contract until the management believes that the outcome of that contract can be assessed with reasonable certainty. In the case of unprofitable contracts, a provision is made for foreseeable losses in full.

Finance income
Finance income in respect of the net investment in finance lease is recognized over the period of the installments on a systematic basis based on the internal rate of return.

Expenses
Selling and distribution expenses are those that specifically relate to salesmen, sales department, warranties, warehousing, delivery vehicles as well as allowance for doubtful debts. All other expenses related to main operations are allocated on a consistent basis to direct costs and general and administration expenses in accordance with allocation factors determined as appropriate by the Group.

Foreign currencies
Transaction
The Group's consolidated financial statements are presented in Saudi Riyals ("SR"), which is also the Company's functional currency. The items included in the financial statements of each entity are measured using its functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the consolidated balance sheet date. All differences are taken to the consolidated statement of income.

Forward exchange contracts
Forward foreign exchange contracts that are entered in order to hedge a foreign currency liability are recorded at the spot rate at the inception of the contract. Any discounts or premiums are credited or charged to the consolidated statement of income over the life of the contract.

Forward foreign exchange contracts that are entered into in order to hedge a future identifiable foreign currency commitment are recorded at the spot rate at the inception of the contract. Any discounts or premiums and transaction gains or losses to the date of recording the related foreign currency transaction are deferred and included in the measurement of the related transactions.

Translation
Financial statements of foreign operations are translated in to SR using the exchange rate at each consolidated balance sheet date, for assets and liabilities, and average exchange rate for each period for revenue, expenses, gains and losses. Components of equity other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments are recorded as a separate component in shareholders' equity.

Segmental reporting
A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

Earnings per share
Earnings per share attributable to main operations is calculated by dividing income from main operations for the year by the weighted average of number of shares outstanding during the year.

Earnings per share attributable to net income is calculated by dividing the net income for the year by the weighted average of number of shares outstanding during the year.

Operating lease
Lease is classified as operating lease whenever the terms of the lease do not transfer substantially all the risks and reward of ownership to the lessee. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight line basis over the lease term on an accrual basis.

Fair values
For investments traded in active markets, fair value is determined by reference to quoted market bid prices.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows and other relevant factors. Cost is considered to be the fair value where there is no reliable fair value information available for such investments.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rate with the same maturity.

Derivative financial instruments
The Group uses derivative financial instruments such as foreign currency forward contracts to hedge its risk associated primarily with foreign currency fluctuations in respect of purchasing inventories from overseas suppliers. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

4- CASH AND CASH EQUIVALENTS	2015 SR'000	2014 SR'000
Bank balances and cash	**331,153**	283,994
Time deposits	**24,271**	25,727
	355,424	309,721

5- ACCOUNTS RECEIVABLE AND PREPAYMENTS	2015 SR'000	2014 SR'000
Trade accounts receivable	**1,703,182**	1,610,070
Retention receivables	**67,411**	46,558
	1,770,593	1,656,628
Less: allowances for doubtful debts	**(124,650)**	(111,763)
	1,645,943	1,544,865
Prepaid expenses	**44,256**	51,638
Advances to suppliers	**64,206**	31,736
Other receivables	**127,631**	163,589
	1,882,036	1,791,828

At 31 December 2015, trade accounts receivable at nominal value of SR 128 million (2014: SR 112 million) were impaired. Movements in the allowance for doubtful debts were as follows:

	2015 SR'000	2014 SR'000
At the beginning of the year	**111,763**	66,195
Allowance for the year	**33,034**	47,587
Written-off during the year	**(20,147)**	(2,019)
At the end of the year	**124,650**	111,763

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

6- VALUE OF WORK EXECUTED IN EXCESS OF BILLINGS	2015 SR'000	2014 SR'000
Value of the work executed to date	**1,075,779**	1,394,591
Less: Amounts received and receivable as progress billings	**(791,770)**	(1,064,470)
	284,009	330,121

7- NET INVESTMENT IN FINANCE LEASE

Eastern District Cooling Company ("EDCC"), a subsidiary, entered into an energy performance contract during 2008 with Saudi Iron and Steel Company ("Hadeed") for a period of 20 years. As per the terms stipulated in the agreement it is agreed to design, construct, operate and maintain a District Cooling Plant (DCP) at the premises of Hadeed. At the end of the contract term all the rights, title and interest in the DCP will be transferred to Hadeed for an all-inclusive lump sum payment of SR 53.3 million. During 2013, the construction of DCS was completed and it was transferred to Hadeed under finance lease agreement on 1 April 2013.

The net investment in finance lease and the future minimum lease payments are as follows:

a) Net investment in finance lease consists of:	2015 SR'000	2014 SR'000
Gross investments in lease (see (b) below)	**579,368**	616,945
Less: Unearned finance income	**(153,754)**	(172,253)
	425,614	444,692
Analysed as:		
Net investment in finance lease, current	**19,904**	19,078
Net investment in finance lease, non-current	**405,710**	425,614

b) The future minimum lease payments to be received consists of:	2015 SR'000	2014 SR'000
Within one year	**37,578**	37,578
After one year but not more than five years	**150,312**	150,312
Five years onwards	**391,478**	429,055
	579,368	616,945

8- INVENTORIES	2015 SR'000	2014 SR'000
Raw materials	**982,220**	1,017,977
Work in progress	**140,318**	105,231
Finished goods	**535,103**	362,723
Goods in transit	**106,866**	111,340
	1,764,507	1,597,271

9- RELATED PARTIES' TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties. Following is the list of major related parties of the Group:

Name of related party	Nature of relationship
Zamil Infra Private Limited - India	Associate
Geoclima - Italy	Associate
Rabiah & Nassar and Zamil Concrete Industries Co. Ltd - Saudi Arabia ("RANCO")	Associate
Armacell Zamil Middle East Company	Associate
Zamil Architectural Holding Company	Affiliate
Zamil Group B.S.C.C - Bahrain	Affiliate
Zamil Group Holding Company	Affiliate
Zamil Alpla Plastics Middle East	Affiliate
Hudson Products Corporation	Affiliate
Petrochem Development Co. Inc.	Affiliate

The following are the details of major related parties' transactions during the year:

a) Transactions with related parties' included in the consolidated statement of income are as follows:

Related party	Nature of transaction	Amount of transaction	
		2015 SR'000	2014 SR'000
Affiliate	Sales	**13,722**	8,238
Affiliate	Purchases	**52,547**	61,414
Key managerial personnel	Directors remuneration and other benefits paid by the Company	**6,800**	6,800

Pricing policies and terms of payments of transactions with related parties are approved by the Group's management.

The breakdown of amounts due from /to related parties is as follows:

a) Amounts due from related parties shown in the consolidated balance sheet under current assets:

	2015 SR'000	2014 SR'000
RANCO	**13,330**	29,479
Zamil Architectural Holding Company	**8,721**	7,882
Geoclima - Italy	**4,989**	4,971
Al Zamil Group B.S.C.C - Bahrain	**2,155**	1,587
Zamil Group Holding Company	**1,821**	2,544
Zamil Alpla Plastics Middle East	**1,736**	351
Zamil Infra Private Limited - India	**1,723**	3,619
Armacell Zamil Middle East Company	**-**	5,729
Others	**4,176**	2,661
	38,651	58,823

b) Amounts due from a related party shown in the consolidated balance sheet under non-current assets:

	2015 SR'000	2014 SR'000
RANCO	**33,850**	33,850

This amount represents a loan provided to finance RANCO's working capital and carries no financial charges and has no fixed repayment date. The loan is shown under non-current assets in the consolidated balance sheet as it is not expected to be settled during 2015.

c) Amounts due to related parties shown in the consolidated balance sheet under current liabilities:

	2015 SR'000	2014 SR'000
Energy Central Company B.S.C. - Bahrain	**14,764**	13,334
Hudson Products Corporation	**2,512**	2,061
Petrochem Development Co. Inc.	**-**	4,366
Others	**4,056**	2,848
	21,332	22,609

10- PROPERTY, PLANT AND EQUIPMENT

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

Buildings on leasehold land	Machinery	Furniture, fixtures & equipment	Motor vehicles
20 to 40 years	5 to 20 years	3 to 5 years	3 years

	Freehold land	Buildings on leasehold land	Machinery	Furniture, fixtures and equipment	Motor vehicles	Capital work-in-progress	**Total 2015**	Total 2014
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Cost:								
At the beginning of the year	92,378	878,491	1,534,324	220,700	90,923	31,961	**2,848,777**	3,038,598
Additions	23,350	7,458	25,215	13,671	16,197	53,013	**138,904**	141,438
Disposal	-	(1,159)	(5,507)	(11,964)	(4,685)	(73)	**(23,388)**	(52,257
De-consolidation of subsidiary	-	-	-	-	-	-	**-**	(275,805)
Transfer	-	1,812	35,071	4,242	-	(41,125)		3,017
Translation loss	(673)	(1,176)	(3,560)	(2,533)	(482)	(44)	**(8,468)**	(6,214)
At the end of the year	**115,055**	**885,426**	**1,585,543**	**224,116**	**101,953**	**43,732**	**2,955,825**	**2,848,777**
Accumulated depreciation:								
At the beginning of the year	-	349,203	861,088	151,343	71,159	-	**1,432,793**	1,430,213
Charge for the year	-	36,496	94,252	19,376	11,257	-	**161,381**	156,033
Disposal	-	(418)	(5,370)	(11,955)	(4,438)	-	**(22,181)**	(46,829)
De-consolidation of subsidiary	-	-	-	-	-	-	**-**	(106,589)
Transfer	-	-	-	-	-	-	**-**	2,263
Translation loss	-	(834)	(2,766)	(2,152)	(426)	-	**(6,178)**	(2,298)
At the end of the year	-	**384,447**	**947,204**	**156,612**	**77,552**	-	**1,565,815**	1,432,793
Net book amounts:								
At 31 December 2015	**115,055**	**500,979**	**638,339**	**67,504**	**24,401**	**43,732**	**1,390,010**	
At 31 December 2014	92,378	529,288	673,236	69,357	19,764	31,961		1,415,984

The majority of the buildings are constructed on plots of land leased from The Saudi Industrial Property Authority (MODON) in Riyadh and first and second industrial city - Dammam for periods range from 4 to 25 years with various commencing dates range from the years 1993 to 2015.

Capital work-in-progress represents mainly the cost incurred in respect of new building, expansion, upgrading of production facilities, new production line and machinery and equipment acquired for general modernisation.

Certain property, plant and equipment are mortgaged as a security against the loans obtained from the financial institutions (note 17 and 18).

11- INVESTMENTS IN ASSOCIATES	2015	2014	2015	2014
	Percentage of ownership		SR'000	SR'000
Rabiah & Nassar and Zamil Concrete Industries Co. Ltd - Saudi Arabia ("RANCO") (note (i))	**50%**	50%	**45,603**	44,479
Energy Central Company B.S.C. - Bahrain (note (ii))	**25%**	25%	**16,339**	15,417
Zamil Infra Private Limited - India (note (iii))	**51%**	51%	**13,813**	23,581
Geoclima S.r.l - Italy (note (iv))	**40%**	40%	**10,367**	8,764
IIB Paper Company Limited - Bahrain (note (v))	**20.83%**	20.83%	**7,218**	4,257
			93,340	96,498

(i) On 1 October 2014, the Company lost its control over Rabiah & Nassar and Zamil Concrete Industries Co. Ltd ("RANCO") - which is registered in Saudi Arabia and engaged in the production of concrete products, asphalt and polystyrene. Accordingly, RANCO had been de-consolidated effective the same date with recognition an impairment loss of SR 9 million relating to goodwill considering the loss of control and future expected performance of RANCO and it is accounted for as an associate. The investment carrying value includes embedded goodwill of SR 23.9 million (2014: SR 23.9 million).

(ii) Energy Central Company B.S.C is a closed Joint Stock Company incorporated in the Kingdom of Bahrain. The principal activities of the company are distribution of utility services including district cooling, seawater desalination, waste water treatment, power generation and other related services within the GCC countries.

(iii) Zamil Infra Private Limited is registered in India as a private limited company under the Companies Act of India 1956. 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. The company is also engaged in supplying, installation and commissioning of solar energy plant and generation of solar electrical energy. Although, the Group's share in Zamil Infra Private Limited is more than 50%, it is considered as an associate of the Group as the non-controlling interest exercises control over the investee company.

(iv) Geoclima S.r.l. Company is registered in Italy and it is engaged in the manufacturing of air conditioners. Originally a goodwill of SR 3.2 million was accounted for the value of investment in associate using equity method. The investment carrying value includes embedded goodwill of SR 1.5 million (2014: SR 1.5 million).

(v) IIB Paper Company Limited is registered in Cayman Islands and is engaged in the production of tissue paper.

Movements in investments in associates are as follows:

	2015	2014
	SR'000	SR'000
At the beginning of the year	**96,498**	58,516
Recognised on de-consolidation of a subsidiary (see note (i) above)	-	46,796
De-recognised on consolidation of an associate as a subsidiary	-	(367)
Share in results of associates	**(3,158)**	902
Disposal	-	(9,349)
At the end of the year	**93,340**	96,498

12- AVAILABLE FOR SALE INVESTMENTS	2015	2014
	SR'000	SR'000
Kinan International for Real Estate Development Company Limited (note (i))	**46,586**	46,586
PLG Photovoltaic Limited (note (ii))	**42,910**	63,750
At the end of the year	**89,496**	110,336

i) This investment represents 2.11% share in Kinan International for Real Estate Development Company Limited, unlisted company which is registered in Saudi Arabia and is engaged in real estate activities. The investment is stated at cost as cost is considered to be fair value where there is no available fair value information for such investment.

ii) This investment represents 75.6% unquoted share in PLG Photovoltaic Limited, unlisted company which is registered in India and is engaged in the activity of providing solar energy. During the year, the Company recognised an impairment loss of SR 20.8 million due to the decline in the value of foreign currency as such decline considered significant and prolonged.

13- OTHER INTANGIBLE ASSETS	2015	2014
Cost	SR'000	SR'000
At the beginning of the year	**24,061**	13,275
Additions	**574**	14,646
Reclassified	**-**	(2,888)
Written off during the year	**(14,428)**	-
Disposal	**-**	(972)
At 31 December	**10,207**	24,061
Accumulated amortisation		
At the beginning of the year	**3,135**	4,945
Charge for the year	**675**	1,296
Reclassified	**-**	(2,134)
Written off during the year	**-**	(972)
At 31 December	**3,810**	3,135
Net carrying value		
At 31 December	**6,397**	20,926

Other intangible assets mainly represent amounts paid to acquire lease rights to use plots of land in Vietnam and are amortised over a period of 30 years.

During 2014, SIDF front end fees, deducted from loans by Saudi Industrial Development Fund ("SIDF") loans, have been reclassified as part of term loans (note 18).

14- GOODWILL	2015	2014
	SR'000	SR'000
At the beginning of the year	**110,706**	158,543
Re-classified to investment in associate on de-consolidation of a subsidiary (note 11)	**-**	(23,880)
Impairment loss	**(30,580)**	(23,957)
	80,126	110,706

During 2011, the Group acquired 51% of the voting shares of Gulf Insulation Group ("GIG"), a company registered in the Kingdom of Saudi Arabia. During 2012, the Group exercised purchase price allocation which is resulting a goodwill of SR 110 million.

During 2014, GIG transferred 51% ownership of its wholly owned subsidiary Saudi Preinsulated Pipes Industries Company Limited ("SPPI") to one of its partner, Second Insulation Company Limited ("SICL"), a wholly owned subsidiary of the Group. Accordingly, the Group performed its annual impairment test in December 2015 considering the allocation of goodwill to GIG and SPPI and performing impairment view on CGUs based on the available information and comparing carrying values to their estimated recoverable amounts based on appropriate method.

SPPI

The recoverable amount of SPPI has been determined based on a value in use calculation using cash flow projection from financial budgets approved by senior management covering a five-year period. As a result of the analysis, the management has recognized an impairment loss of SR 30.58 million in the current year against goodwill with a carrying amount of SR 30.58 million as at 31 December 2014.

GIG

The recoverable amount of GIG is also determined based on a value in use calculation using cash flow projection from financial budgets approved by senior management covering a five-year period. As a result of the analysis, the management did not identify an impairment for this CGU.

15-ACCOUNTS PAYABLES AND ACCRUALS

	2015	2014
	SR'000	SR'000
Accounts payable	**520,787**	355,554
Accrued expenses	**356,142**	508,254
Advances from customers	**312,885**	308,821
Accrued contract costs	**139,415**	94,739
Warranties provision	**23,885**	24,945
	1,353,114	1,292,313

16-BILLINGS IN EXCESS OF VALUE OF WORK EXECUTED

	2015	2014
	SR'000	SR'000
Progress billings received or receivable	**600,584**	756,998
Less: value of work executed	**(505,708)**	(676,272)
	94,876	80,726

17-SHORT TERM LOANS

	2015	2014
	SR'000	SR'000
Short term loans	**135,507**	110,389
Murabaha and tawarruq finances	**1,820,640**	1,883,059
	1,956,147	1,993,448

The short term loans, Murabaha and Tawarruq finances were obtained from various local banks to meet the working capital requirements. These loans are secured by promissory notes and assignment of certain contract proceeds, corporate guarantees and a mortgage on the Group's property, plant and equipment (note 10). These borrowings carry commission charges at prevailing market borrowing rates.

18-TERM LOANS	**2015**	2014
	SR'000	SR'000
Commercial banks (note 'A' below)	**321,538**	472,299
Saudi Industrial Development Fund ("SIDF") (note 'B' below)	**140,015**	93,313
	461,553	565,612
Less: Current portion:		
Term loans from the commercial banks (note 'A' below)	**(116,850)**	(130,178)
Term loans from Saudi Industrial Development Fund ("SIDF") (note 'B' below)	**(21,500)**	(26,285)
	(138,350)	(156,463)
Less: SIDF prepaid financial charges	**(9,865)**	(5,234)
Non-current portion	**313,338**	403,915

A Term loans from the commercial banks comprise the following:

i) The Group obtained a loan facility of SR 500 million from a local bank. This loan is secured by promissory notes. The loan is repayable in 10 semi-annual equal instalments commencing from 30 June 2014. The facility is subject to interest at SIBOR plus margin. At 31 December 2015, the outstanding loan was SR 300 million (2014: SR 400 million) including a current portion of SR 100 million (2014: SR 100 million).

ii) The Group also obtained a loan facility of SR 25 million from a local bank. This loan is secured by promissory notes and assignment of certain contract proceeds, corporate guarantees and a mortgage on the Group's property, plant and equipment (note 10). The loan is repayable in 16 equal quarterly instalments commencing from October 2013. The facility is subject to interest at SIBOR plus margin. At 31 December 2015, the outstanding loan was SR10.9 million (2014: SR 17.2 million) including current portion of SR 6.3 million (2014: SR 6.3 million).

iii) Further, the Group obtained a loan facility of SR 25 million. These loans are secured by promissory notes and assignment of certain contract proceeds, corporate guarantees and a mortgage on the Group's property, plant and equipment (note 10). The loan is repayable in 36 unequal monthly instalments commencing from January 2014. The facility is subject to interest at SIBOR plus margin. At 31 December 2015, the outstanding loan was SR 10.6 million (2014: SR 19 million) and represents a current portion payable during 2016 (2014: SR 8.4 million including as a current portion).

B The Group also obtained loan facility of SR 140 million from SIDF for financing the construction of the plant. The loan is secured by a mortgage on the Group's property, plant and equipment (note 10). The loans are repayable in unequal installments.

The Company is required to comply with certain covenants which include, among other things, certain financial ratios to be maintained under all the loan facility agreements mentioned above.

Following are the combined aggregate amounts of next six years' maturities of the term loans:

Year	2016	2017	2018	2019	2020	2021
SR'000	138,350	135,188	134,600	31,500	15,750	6,165

19-ZAKAT AND INCOME TAX

a) Zakat

Charge for the year	2015	2014
The zakat charge consists of:	SR'000	SR'000
Current year provision	**22,150**	26,258

The provision for the year is based on zakat base of the Company and its wholly owned Saudi subsidiaries as a whole and individual zakat base of other Saudi subsidiaries (2014: same).

Status of assessments

The zakat assessments of the Company and its wholly owned Saudi subsidiaries as a whole have been agreed with the Department of Zakat and Income Tax ("the DZIT") up to 2012. The zakat assessment for the years 2013 and 2014 have been filed with the DZIT. However, the final declarations have not yet been raised by the DZIT.

SPPI

Zakat assessments have been agreed with the DZIT up to 2007. The zakat assessment for the years from 2008 to 2014 have been filed with the DZIT. However, the final declarations have not yet been raised by the DZIT.

SRWF

Zakat assessments have been agreed with the DZIT up to 2013. The zakat assessment for the year 2014 has been filed with the DZIT. However, the final declaration has not yet been raised by the DZIT.

AFICO

Zakat assessments have been agreed with the DZIT up to 2003. The zakat assessments for the years from 2004 to 2014 have been filed with the DZIT. However, the final declarations have not yet been raised by the DZIT.

FIC

Zakat assessments have been filed with the DZIT for the years from 2008 to 2014. However, the final declarations have not yet been raised by the DZIT.

GIG

Zakat assessments have been agreed with the DZIT up to 2007. The zakat assessment for the years from 2008 to 2014 have been filed with the DZIT. However, the final declarations have not yet been raised by the DZIT.

Zakat base has been computed based on the managements' understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The zakat regulations in Saudi Arabia are subject to different interpretations, and the assessments to be raised by the DZIT could be different from the declarations filed by the respective company.

b) Income tax

Charge for the year	2015	2014
The income tax charge consists of:	SR'000	SR'000
Current year provision	**6,196**	12,246

Income tax provision is provided for in accordance with fiscal authorities in which the Group's subsidiaries operate outside the Kingdom of Saudi Arabia

Status of assessments
The status of assessment of the major foreign subsidiaries are as follows:

Zamil Air Conditioners India Private Limited ("ZAC - India")
Income tax assessments have been agreed with the Department of Income Tax of India ("the DIT") up to the year ended 31 March 2009. The income tax returns for the years ended 31 March 2010 to 31 March 2015 have been filed with the DIT. However, the final assessments have not yet been raised by the DIT.

Zamil Steel Buildings India Private Limited - India ("ZSB - India")
Income tax assessments have been agreed with the DIT up to the year ended 31 March 2012. The income tax returns for the years ended 31 March 2013 to 31 March 2015 have been filed with the DIT. However, the final assessments have not yet been raised by the DIT.

Zamil Information Technology Global Private Limited - India ("ZITG - India")
The income tax returns of the company for the years ended up to 31 March 2015 have been filed with the DIT. However, the final assessments have not yet been raised by the DIT for any of the year.

Zamil Steel Buildings Vietnam Limited Company ("ZSB - Vietnam")
Income tax assessments have been agreed with the tax authorities of Vietnam ("the TA") up to the year 2012. The income tax returns for the years 2013 and 2014 have been filed with the TA. However, the final assessments have not yet been raised by the TA.

Zamil Structural Steel - S.A.E - Private Free Zone (ZSS - Egypt)
The company, was established under the free zone system according to the provision of Investment Guarantees and Incentive Law number 8 of 1997. Accordingly, the company is exempted from corporate taxes and withholding taxes and these privileges will continue to apply for the lifetime of the company.

Zamil Steel Buildings Company Egypt - S.A.E(ZSB - Egypt)
Income tax assessments have been agreed with the TA up to the year 2004. The income tax returns for the years from 2005 to 2014 have been filed with the TA. However, the final assessments have not yet been raised by the TA.

Income tax has been computed based on the managements' understanding of the income tax regulations enforced in their respective countries. The income tax regulations are subject to different interpretations, and the assessments to be raised by the tax authorities could be different from the income tax returns filed by the respective company.

Movement in provision
The movement in the zakat and income tax provision for the year was as follows:

	2015	2014
	SR'000	SR'000
At the beginning of the year	**52,616**	60,006
Provided during the year	**28,346**	38,504
De-consolidation of subsidiary (note 11)	-	(1,123)
Consolidation of a subsidiary (note 11)	-	104
Payments during the year	**(22,241)**	(44,875)
At the end of the year	**58,721**	52,616

20- EMPLOYEES' TERMINAL BENEFITS

The movements in employees' terminal benefits are as follows:

	2015	2014
	SR'000	SR'000
At the beginning of the year	**320,931**	295,196
Charge for the year	**70,376**	48,553
Payments during the year	**(34,749)**	(22,818)
At the end of the year	**356,558**	320,931

21- SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company amounting to SR 600 million (2014: SR 600 million) is divided into 60 million shares of SR 10 each (2014: 60 million share of SR 10 each).

22- DIVIDENDS

The board of directors in their meeting held on 22 July 2015 (corresponding to 6 Shawwal 1436H) proposed interim cash dividends of SR 1 per share totalling SR 60 million representing 10% of share capital to shareholders which have been paid during the year (2014: the board of directors in their meeting held on 21 July 2014 (corresponding to 24 Ramadan 1435H) proposed interim cash dividends of SR 1 per share totaling SR 60 million representing 10% of share capital to shareholders which was paid during 2014).

Further, the board of directors at their meeting held on 21 December 2015 (corresponding to 10 Rabi' I 1437H) proposed a cash dividend of SR 1 per share for the year 2015 totalling SR 60 million being 10% of the share capital for the approval of the shareholders in their Annual General Assembly (2014: The board of directors at their meeting held on 19 January 2015 (corresponding to 28 Rabi' I 1436H) proposed a cash dividend of SR 1 per share for the year 2014 totalling SR 60 million being 10% of the share capital which was subsequently approved by the shareholders in the General Assembly Meeting held on 9 April 2015 (corresponding to 28 Jumada' II 1436H) and have been paid during the year).

23- NON-CONTROLLING INTERESTS

The movements in non-controlling interests are as follows:

	2015	2014
	SR'000	SR'000
At the beginning of the year	**255,215**	272,139
De-consolidation of a subsidiary (note 11)	**-**	(22,915)
Dividends paid by subsidiaries	**-**	(12,630)
Share in results	**11,125**	21,494
Net movement	**(462)**	(2,873)
At the end of the year	**265,878**	255,215

24- SELLING AND DISTRIBUTION EXPENSES

	2015	2014
	SR'000	SR'000
Employees' costs	**256,644**	278,575
Business travel	**9,172**	9,485
Transportation	**35,507**	59,082
Allowance for doubtful debts	**33,034**	47,587
Advertising and sales promotion	**30,085**	51,701
Warranties	**22,143**	25,211
Depreciation	**17,283**	12,575
Rent and utilities	**15,439**	17,409
Repairs and maintenance	**3,278**	2,072
Others	**34,411**	30,895
	456,996	534,592

25- GENERAL AND ADMINISTRATION EXPENSES

	2015	2014
	SR'000	SR'000
Employees' costs	**336,975**	297,860
Depreciation	**28,478**	21,345
Communication and IT services	**20,732**	17,539
Rent and utilities	**8,885**	11,887
Professional fees	**5,877**	10,236
Office supplies	**4,664**	4,194
Business travel	**3,712**	2,862
Others	**31,445**	40,997
	440,768	406,920

26- OTHER INCOME, NET

	2015	2014
	SR'000	SR'000
Foreign currency exchange gain /(loss)	**8,344**	(4,577)
Gains on disposal of investments in associates	**-**	14,080
Dividends income	**1,070**	2,140
Gain /(loss) on disposal of property, plant and equipment	**922**	(467)
Others	**22,143**	7,830
	32,479	19,006

27- EARNING PER SHARE

Earnings per share attributable to main operations is calculated by dividing income from main operations for the year by the weighted average of number of shares outstanding during the year.

Earnings per share attributable to net income is calculated by dividing the net income for the year by the weighted average number of shares outstanding during the year.

28- SEGMENTAL INFORMATION

Consistent with the Group's internal reporting process, business segments have been approved by board of directors in respect of the Group's activities. Transactions between the business segments are reported at cost. The Group's revenue, gross profit and net assets by business and geographical segments, are as follows:

Business segments 2015

	Air Conditioner Industry	Steel Industry	Insulation	Head office and others	Total
Sales	2,476,207	2,683,812	321,386	7,190	**5,488,595**
Income /(loss) from main operations	236,511	164,972	25,459	(19,423)	**407,519**
Net assets	727,149	806,175	127,318	224,504	**1,885,146**

Business segments 2014

	Air Conditioner Industry	Steel Industry	Insulation	Head office and others	Total
Sales	2,463,798	2,535,521	292,932	163,168	5,455,419
Income /(loss) from main operations	219,612	194,580	30,783	(39,100)	405,875
Net assets	587,228	745,688	125,978	283,626	1,742,520

Geographical segments 2015

	Saudi Arabia	Other Asian countries	Africa	Europe	Total
Sales	4,506,460	588,130	384,373	9,632	**5,488,595**
Income from main operations	376,057	9,738	21,351	373	**407,519**

Geographical segments 2014

	Saudi Arabia	Other Asian countries	Africa	Europe	Total
Sales	4,529,016	581,746	334,430	10,227	5,455,419
Income from main operations	349,495	24,892	31,402	86	405,875

29- CONTINGENT LIABILITIES

The Group's bankers have issued performance and payments guarantees, on behalf of the Group, amounting to SR 1,165 million (2014: SR 1,123 million).

30- CAPITAL COMMITMENTS

The board of directors have approved future capital expenditure amounting to SR 70 million (2014: SR 52 million), relating to certain expansion projects.

31- RISK MANAGEMENT

Commission rate risk
Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group is subject to commission rate risk on its commission bearing short term loans and term loans. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

Market risk
Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the investment department of the Group. The unquoted equity price risk exposure arises from the Group's investment portfolio. The Group manages this through diversification of investments in terms of geographical distribution, placing limits on individual and total equity instruments and industry concentration.

Credit risk
Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and ensuring close follow ups. At the consolidated balance sheet date, no significant concentration of credit risk were identified by the management.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by ensuring that bank facilities are available. The Group's terms of sales require amounts to be paid within 30 to 60 days of the date of submitting the invoice. Trade payables are normally settled within 60 to 120 days of the date of purchase.

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to change in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Riyals, US Dollars, Japanese Yen and Euros during the year. As Saudi Riyals are pegged to US Dollars, balances in US Dollars are not considered to represent significant currency risk. The Group is exposed to currency risk on transactions and balances in Euros. The Group manages currency risk exposure to Euros by monitoring the currency fluctuations. In addition, the Group uses forward exchange contracts to hedge anticipated purchases of raw material from suppliers in Japan.

32- 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. Financial instruments comprise of financial assets and financial liabilities. The Group's financial assets consist of cash and cash equivalents, accounts receivable, amounts due from related parties and net investment in finance lease. Its financial liabilities consist of short term loans, term loans, accounts payable and amounts due to related parties.

33- COMPARATIVE FIGURES

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