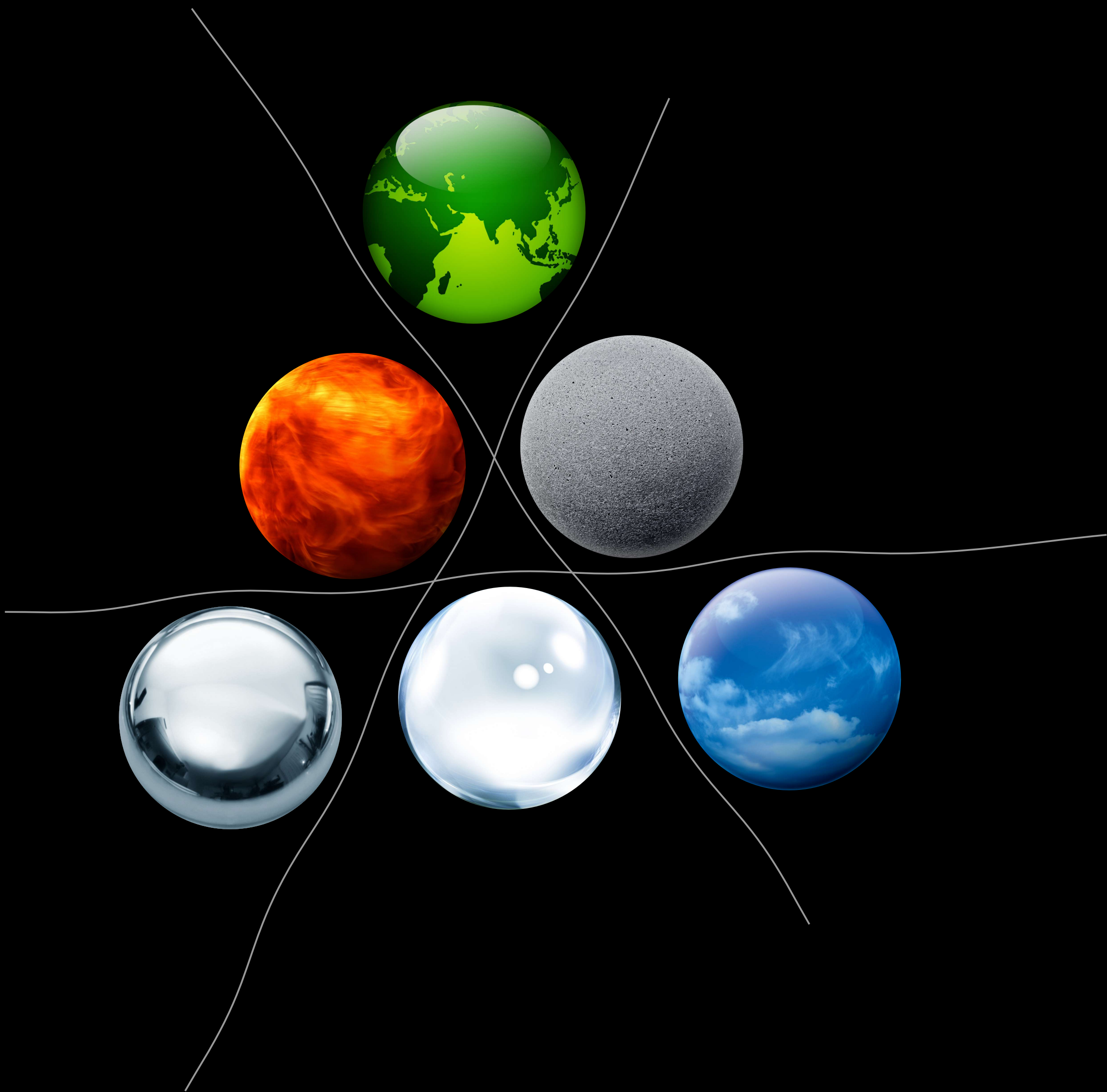
2010
Annual Report



Zamilindustrial

Zamil industrial

Steel Sector

- Zamil Steel Industries
- Canam Asia Ltd.
- Petro-Chem Zamil Co. Ltd.
- Zamil New Delhi Infrastructure Private Ltd. (ZND)

HVAC Sector

- Zamil Air Conditioners
- Middle East Air Conditioners Ltd. (MEAC)
- Zamil Hudson Co. Ltd.
- Zamil Advantec Coils Ltd.
- Zamil CoolCare
- Ikhtebar (Climate Control Lab Testing Co.)
- Energy Central Co. (ECC)

Glass Sector

- Zamil Glass Industries

Insulation Sector

- Arabian Fiberglass Insulation Co. Ltd. (AFICO)
- Armacell Zamil Middle East Co. Ltd. (AZMEC)

Concrete Sector

- Rabiah & Nassar and Zamil Concrete Industies Co. Ltd.
- Saudi Aerated Concrete Industries Co. Ltd. (Saudi ACICO)

Corporate & Shared Services

Contents

Performance highlights 1
Board of Directors 2
Mission statement & core values 3
Chairman's letter 4
Financial highlights 7
Chief Executive Officer's letter 8

Performance highlights

- **Net Profit** after Zakat amounted to SAR211.1 million (USD56.3 million) in 2010, a decline of 8.3% when compared with the figure for 2009 of SAR230.1 million (USD61.4 million)

- **Revenues** in 2010 totaled SAR4,018.4 million (USD1,071.6 million) as compared to SAR4,204.4 million (USD1,121.2 million) a year earlier

- **Gross Profit** in 2010 totaled SAR995.4 million (USD265.4 million) as compared to SAR951.8 million (USD253.8 million) in 2009, a growth of 4.6%

- **Earnings per Share** decreased to SAR3.52 (USD0.94) in 2010 from SAR3.84 (USD1.02) a year earlier

- **Shareholders' Equity** rose year-on-year by 8.6% to SAR1,398.8 million (USD373 million).

The overall decline in earnings totals for the year is largely a result of increased competition from regional manufacturers and suppliers and the need to meet the demands of our valued customers for cost containment.

Board of Directors

- Dr. Abdulrahman Abdullah Al Zamil
- His Excellency Dr. Soliman Abdulaziz Al Solaim
- Khaled Sulaiman Olayan
- Abdullah Saleh Juma'ah Al-Dossary
- Sami K Al Gosaibi
- Ahmed Abdullah Al Zamil
- Abdulrahman Faris Al-Suwaillem
- Khalid Abdullah Al Zamil
- Adib Abdullah Al Zamil
- Abdulla Mohammed Al Zamil

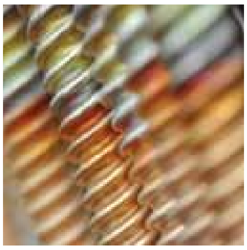
Mission statement & core values

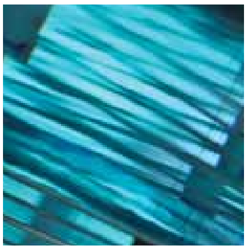
Our Vision

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

Our Mission

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





Our Core Values

Honesty and Integrity – We believe 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.

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

Chairman's letter

Dear Shareholder,

On behalf of the Board of Directors, it is very much my pleasure to present to Shareholders the Annual Report and Consolidated Financial Statements of Zamil Industrial Investment Company (Zamil Industrial) for the financial year ended 31st December 2010.
2010 has been another good, profitable year for your company despite the difficult global economic environment. The Saudi government announced a record budget for the year with considerable emphasis on infrastructure development, but private sector activity in Saudi Arabia remained modest. A not dissimilar situation prevailed in the private sectors of many of our overseas markets. Nevertheless, new production records have been set throughout our manufacturing facilities.

Given the high level of expenditure in our domestic market, many regional manufacturers in direct competition with your company have sought business here, resulting in a downward pressure on pricing and margins. This has been especially true in the construction sector, our prime market. In such a challenging environment, it is satisfying to see your company's on-going ability to compete is such that our gross revenues fell by just 4.4% to SAR4,018 million (USD1,072 million) from SAR4,204 million (USD1,121 million) a year earlier. Of this amount, Export Sales accounted for SAR1,112 million (USD297 million), 27% of the total.

Net profit for the year, after payment of Zakat, was SAR211.1 million (USD56.3 million) as compared to SAR230.1 million (USD61.4 million) a year earlier. This figure translates into after-Zakat earnings per share of SAR3.52 (USD0.94) as compared to SAR3.84 (USD1.02) a year earlier.

These figures are calculated on the higher capital of the company of SAR600 million following the one for three bonus share issue during the year approved by the Capital Market Authority as well as by shareholders in the Annual General Meeting. At the end of the year, Shareholders' Equity had grown by 8.6% to SAR1,399 million (USD373 million). In light of these results, the Board

Dr. Abdulrahman Abdulla Al Zamil
Chairman of the Board

In growing the business, we seek to remain a responsible corporate citizen wherever we operate

of Directors is recommending a final cash dividend for the year of SAR0.75 (USD0.20), which together with the interim dividend of SAR0.75 (USD0.20) paid on 14th August 2010 makes a total for the year of SAR1.50 (USD0.40) or SAR 90 million, representing 15% of the company's paid-up capital. Shareholders' approval of the final dividend will be sought at the Annual General Meeting.

Over the past decade, Zamil Steel has seen rapid expansion not only in Saudi Arabia but also in a number of locations across the globe. As a consequence it became necessary to develop a new organizational structure for the business that fully supports the high standards set for quality, performance, growth and expansion. This new structure was introduced during 2010. Also during the year, the Board of Directors approved a restructuring of its main sector businesses, namely the Air Conditioning and Steel sectors, due to their increasingly growing local and international presence and activities. After extensive study by an independent international company a decision has been taken to convert these branches into limited liability companies (LLCs) fully owned by Zamil Industrial.

The legal formalities to convert the branches into LLCs were under scrutiny at year's end.

Diversification has been the key to your company's success over many years, as has innovation. Today, with prime interests in steel, HVAC, glass, insulation and concrete, your company continues to seek new opportunities that are interconnected with its existing activities. One such new venture is the investment of SAR300 million (USD80 million) approved by the Board in a new factory to produce stone wool insulation products to exacting global standards utilizing state-of-the-art technology. A further investment is in Eastern District Cooling Company, a Saudi limited liability company that was under formation at year's end and which will produce industrial cooling water. A number of new business units commenced production during the year, while new facilities in some of your factories came on stream to enhance productive capacity. Our research and development activities have also continued unabated with several group companies introducing new and innovative products.

In growing the business, we seek to remain a responsible corporate citizen wherever we operate. Thus, close attention to: our staff and their families, the communities in which we operate, health and safety in the workplace, the environment and the reduction of waste are innate to our management philosophy.

As a public company operating internationally, we seek always to pursue our activities according to the highest ethical standards while

Integrity, quality and dedication to customer service

ensuring transparency in every aspect of our business. To these ends we have an active Internal Audit function that ensures the fulfillment of our business to the highest international standards.

At the end of 2010, the global economy was beginning to evidence a revival, albeit slowly and with the continuing prospect of recession in some countries. In December, the Saudi Arabian government introduced another record budget for the coming year, with its primary focus again on infrastructure development, education and health. It is anticipated that this will provide considerable opportunities for your company in what is likely to be a competitive marketplace.

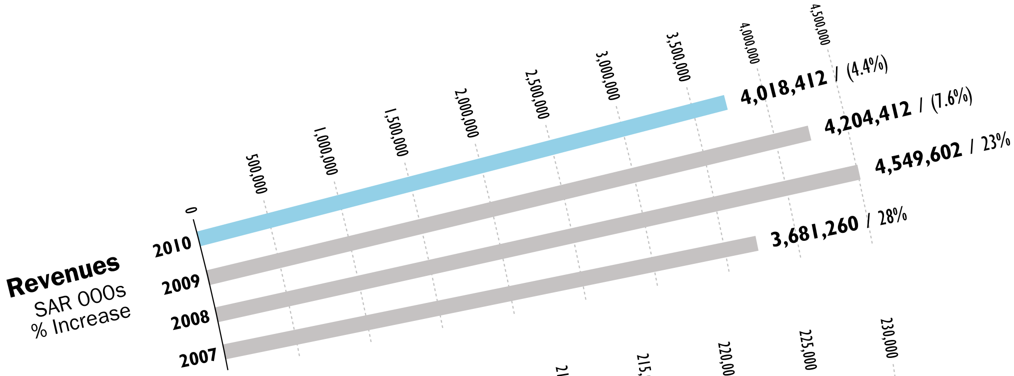
Meanwhile the other markets in which we maintain businesses — India, Egypt and Vietnam, all showed signs of revival as the year progressed. In such an environment, we remain quietly confident of growing our business yet further during 2011.

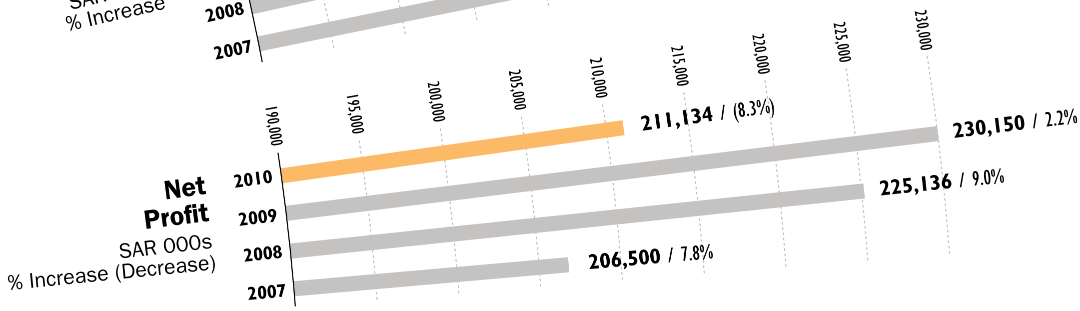
In conclusion, I would like to thank the management, employees, members of the Board of Directors, and shareholders of Zamil Industrial for their hard work, wisdom and enduring support. Despite the challenges we face in regional and global marketplaces, we are making progress because of your constant efforts.

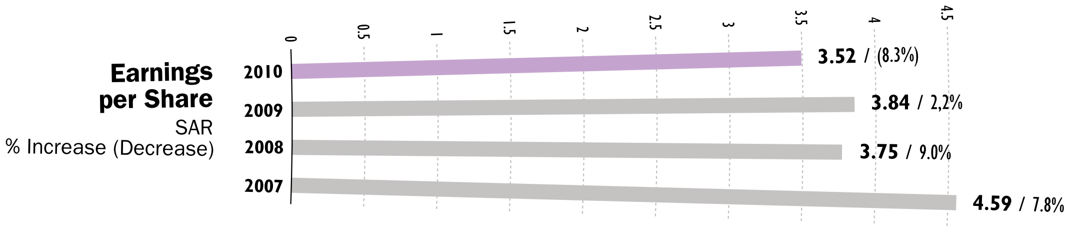
We will continue to adapt to new technologies, seek exciting new markets in emerging economies and form partnerships around the world. If we continue to operate according to our core precepts of integrity, quality and dedication to customer service, I believe that we will always be successful.

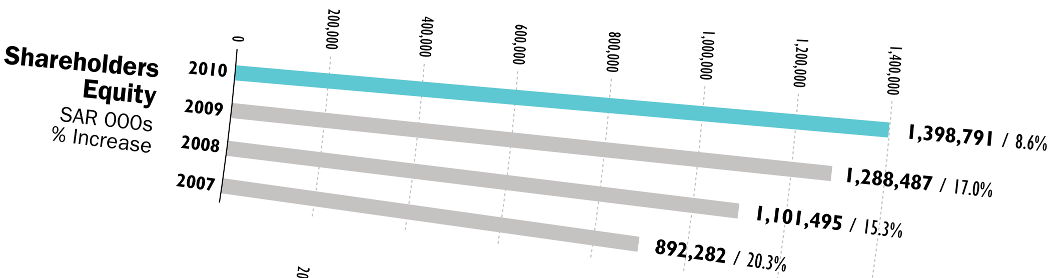
Dr. Abdulrahman Abdullah Al Zamil
Chairman of the Board

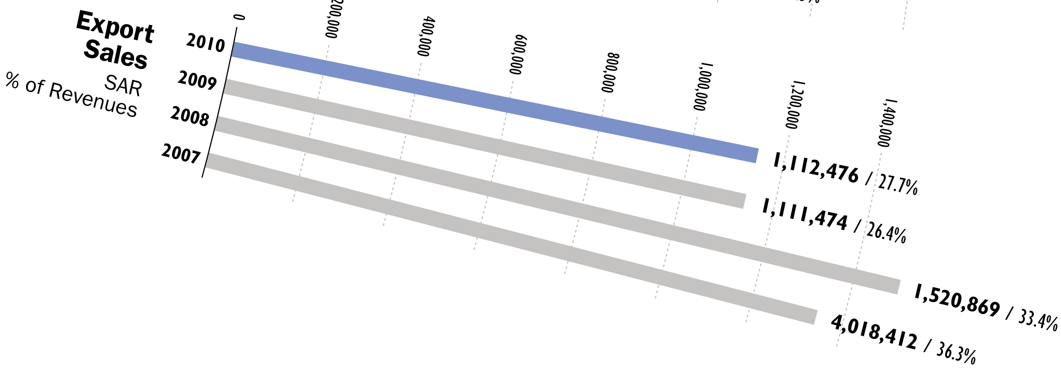
Financial highlights











Abdulla Mohammed Al Zamil
Chief Executive Officer

Dear Shareholders, Management and Staff,

Zamil Industrial has completed another successful year evidencing further growth in what were often difficult circumstances. Despite an historically high Saudi budget and the appearance of initial shoots of growth in other markets where our business units are active, competition has been strong, especially in our home market as manufacturers from elsewhere in the GCC have gravitated to Saudi Arabia in search of available opportunities. This increase in competition has had a marked impact on pricing and margins across all sectors of our business.

When combined, our businesses have seen a modest overall decline in turnover of 4.4% at SAR4,018.4 million (USD1,071.6 million) as compared to SAR4,024.4 million (USD1,121.2 million) a year earlier. Achievement of such a result would not have been possible without the dedicated attention of our hard working staff at every level of our business. Your commitment to Zamil Industrial is highly appreciated.

During the year, sales volumes grew at many business units, mainly in the domestic markets of their countries of operation but also overseas, where export sales rose year-on-year to SAR1,112.5 Million (USD296.7 million), so that they now comprise 27.7% of total revenues as compared to 26.4% the previous year.
The Divisions within Zamil Steel, those in India, Egypt and Vietnam as well as Zamil Steel Process Equipment and Zamil Steel Building Components, all saw increased levels of production, albeit some saw their overall revenues decline due to the competitive pressure on prices and margins. Meanwhile, Zamil Inspection & Maintenance of Industrial Projects Co. (ZIMIPCO), in its first full year of activity, saw major growth in revenues.

The several elements that combine under the banner of Zamil Air Conditioners also enjoyed a successful twelve months, with the company continuing to evidence high levels of technical expertise and skill as it introduced further new and innovative products. The insulation sector companies, Arabian Fiberglass Insulation Co. (AFICO) and Armacell Zamil Middle East, each had a successful year with AFICO preparing to commence the production phase at its new, state-of-the-art glass wool facility in 2011, and Armacell, in its first year of production, succeeding in initiating production of the full range of products it targeted for use in the Middle East.

The glass and concrete sectors both remained successful given the attention given to the construction sector in the government budget and to early signs of growth, although limited, in the private sector. However, neither achieved

Chief Executive Officer's letter

The year saw the formation of three new companies

its full potential due to a markedly higher level of competition in the case of the glass sector and, in the concrete sector, to bottlenecks in the manufacturing process at Ranco Zamil, which had been ironed out by year's end.

The year also saw the formation of three new companies, Petro-Chem Zamil Company, Zamil Steel Company and Zamil Industrial Training Institute Company. Establishment of new companies such as these ensures continued expansion and diversification of your company's activities with the strategic aims of increasing the level of available expertise, broadening and increasing of the sources of income available to the company and ultimately enhancing shareholder value.

To further raise the Group's profile, Zamil Industrial participated in an important exhibition during the year, namely the "Mega Engineering Projects in Eastern Province" Exhibition organized by King Fahd University of Petroleum and Minerals (KFUPM). The exhibition was held to celebrate the region's manufacturing and engineering projects, including those of Zamil Industrial, that have become a huge phenomenon that contributes to the region's economic development by attracting new businesses and stimulating commercial activity.

As Zamil Industrial's activities continue to multiply, our growing capabilities provide a strong platform on which to build for the future. This, allied to likely growth in many target markets and the anticipated support of all our staff, gives us considerable confidence in the Group's potential for a successful 2011.

Abdulla Mohammed Al Zamil
Chief Executive Officer

Steel Sector

Building Products Group

Zamil Steel – Pre-Engineered Buildings (PEB)

Pre-Engineered Buildings Division (PEB) in Dammam, the largest division within Zamil Steel, specializes in the production of low-rise, pre-engineered buildings for a wide range of end-uses.

Throughout 2010, PEB operated in an active but highly competitive domestic environment with sales prices markedly lower than in the previous two years. Under such tight circumstances, PEB was successful in increasing its level of sales to more than 98,200MT, of which exports accounted for 48.4%, a 36.4% year-on-year increase. However, revenues declined by 14.6% when compared to the previous year. Overall, production saw a rise of 14.2% over the 2009 total.

On 31st December, PEB had 96 major projects in hand of which 50 were from outside Saudi Arabia. Of the total, 15 were large orders of between 1,000MT and 4,000MT. These included a reconstruction project in Darfur for the Sudan government's Social Security Authority involving the supply of steel buildings, structures, accessories and air conditioning units that was supported by export finance from the Saudi Fund for Development; a museum building in Jordan; a carton factory in Syria; factory buildings in Bangladesh; a shopping mall in Qatar; and a number of military buildings in the UAE and Saudi Arabia.

Looking ahead, PEB remains confident of on-going success in 2011 both at home and overseas, with the signing of four major projects, three in Saudi Arabia and one in Bangladesh, anticipated early in the coming year.

Zamil Steel India

Zamil Steel India, which completed its second full year of production in 2010, produces low-rise, pre-engineered buildings.

2010 has proved most successful for Zamil Steel India with all of sales, production and revenues seeing marked growth. Year-on-year sales volume and sales value rose by 60% and 86% respectively, while production and revenues both increased by 125%, the former to more than 26,200MT.

Over the course of the year, a total of 17 projects in excess of 500MT were undertaken, a substantial majority of which were to companies throughout India. Included in these projects, Zamil Steel India fabricated and shipped its largest consignment to date, 3,618MT, for a power plant project in India and export consignments were made for the first time to Bhutan, South Africa, Sri Lanka and Saudi Arabia.

Zamil Steel India now looks to 2011 with confidence that further growth in the underlying business will be seen both in India and in existing and new export markets.

17 projects in excess of 50MT were undertaken in India in 2010

Zamil Steel Egypt

Zamil Steel Egypt seeks opportunities throughout the African continent, although a majority of the company's business has been in its home market.

In 2010, Zamil Steel Egypt maintained the same level of sales volume as a year earlier but saw an overall decrease in revenues of 14% due to a number of factors, including increased competition and a decline in prices. Nevertheless, production rose by 10% in response to signs of a revival in the Egyptian economy late in the year.

Export sales suffered a marked decline of 40%, a result of the adverse impact of new investment laws in Algeria, the political situation in the Ivory Coast, a decline in investment in Africa from Europe and an increasing level of competition in some former destination countries. Major projects completed during the year were mainly in Egypt, the largest being those at the Jolie Ville Resort in Luxor; the Makro Cash and Carry facilities at Salaam City and Qalyubia; a factory for Danone at Nubaria; a facility for Ideal Home at 10th Ramadhan City; two aircraft hangars at Cairo Airport; and the supply and erection of steel materials at the Mall of Arabia in Cairo. Overseas, the two largest projects were factories in Tanzania (1649MT for A to Z Textile Mills Ltd.) and in Nigeria (800MT for Raffoul Nigeria Ltd).

Such is the anticipated long-term demand for pre-engineered buildings that Zamil Steel Egypt has been constructing a new factory in Sadat City, which is expected to commence production during 2011.

Zamil Steel Vietnam

Zamil Steel Vietnam experienced a markedly better twelve months than had been the case a year earlier, with all of revenues, export sales and production improving considerably year-on-year. Overall, revenues increased 59%, export sales rose by 141% and the combined production of the Hanoi and Dong Nai factories was up by 46%.

It remains the case, however, despite the Dong Nai factory achieving a

Zamil Steel Vietnam Hanoi attained ISO14001 and OHSA18001

record level of production, the overall load of the two factories is modest and has yet to prove of adequate capacity for initiating fabrication. Nevertheless, ten major projects ranging in size from 660MT to 6,240MT were undertaken during 2010, of which half were in Vietnam and the rest overseas in Singapore, The Philippines, Malaysia and Indonesia.

A special agreement known as "Operation 30" was signed during the year with Mitsui of Japan with the aim of increasing turnover by 30% in 2011 and, in November, Zamil Steel Vietnam Hanoi attained ISO14001 and OHSAS18001 accreditation.

Looking ahead, Zamil Steel Vietnam remains confident of making further progress as the New Year unfolds.

Canam Asia Ltd.

Canam Asia Limited (CAL) in Dammam is a manufacturer of decking, curved roof trusses and joists.

2010 proved difficult for Canam Asia as the implementation of many projects in Saudi Arabia was delayed. As a result, both revenues and production declined, by 26% and 37% respectively, although export sales remained steady at the same level as a year earlier.

Despite the prevailing circumstances, Canam Asia undertook four major projects over the twelve-month period. These were the auditorium at Dammam University in Saudi Arabia; decking for Phase 3 of Doha Airport and for the Qatar Convention Center; and curved roof trusses for Ministry of Education school gymnasia in Saudi Arabia.

To enhance the company's capabilities, vented deck and hangar tabs tooling was purchased, while ISO certification was completed and a distribution agreement was signed for Iraq.

Canam Asia continually seeks to be environmentally aware, to which end the company has participated in a number of 'green building' exhibitions in the region while also acting as spokesman at such an event in Bahrain.

It is anticipated that many of the projects that suffered delays in 2010 will be approved by customers during the coming year, positioning Canam Asia with increased expectations for growth in 2011.

Industrial Steel Products Group

Zamil Steel – Structural Steel Division

2010 has been a year of mixed achievement for the Structural Steel Division (SSD). It signed the highest level of annual orders in its history at over 112,900MT but saw revenues, export sales and shop production decline.

SSD completed the supply and delivery of 20,000MT of structural steel

Revenues fell by 35% over those attained a year earlier due mainly to a decrease in throughput volume, the reduced level of pricing demanded by customers and a lowered demand for erection activities. This, allied to a 53% fall in the value of export sales, resulted in a decrease in shop production of 9%. Nevertheless, engineering production rose by 14% over that of 2009.

Over the year, SSD completed the supply and delivery of a total of 20,200MT of structural steel to three major projects; Shoaiba Power Plant Extension and Saudi Aramco's Corporate Data Center in Saudi Arabia and the Ebla and Jihar Gas Plant Projects in Syria. Concurrently, a further five major projects with a total tonnage of 83,964MT were won by the Division, of which two were in the UAE and three were in Saudi Arabia. Projects were signed also with major new customers, STX (Korea), Jana and Wetico, some of which are of high complexity and very challenging.

In support of its activities, SSD renewed necessary certification, including Standards for Steel Building Structures with the American Institute of Steel Construction (AISC) as well as ISO9001:2008.

Furthermore, the Division's QMS renewal audit for Saudi Aramco was completed successfully, while approval was received for supply to Exxon and Worley Parsons.

In pursuing its activities, SSD seeks always to be a responsible corporate citizen, especially but not exclusively with regard to its staff and the environment. All SSD systems are, therefore, operated in accordance with ISO14001:2004 and OHSAS18001:2007. The Division always attempts to reduce waste, recycle non-production materials and to ensure the absence of air and noise pollution in the workplace; and was highly successful in doing so throughout 2010.

With the signing of major projects over the past twelve months, SSD looks to a successful year in 2011, especially within Saudi Arabia and other member states of the GCC, but not to the exclusion of potential business elsewhere in the Middle East.

T&G's second 50,000MT galvanizing plant became operational

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

During the year, Towers and Galvanizing Division (T&G) was able to increase production by 3% over that attained in 2009. Despite this growth, revenues fell by 32% year-on-year due to the lower pricing demands of Saudi customers and the overall rise in competition in the domestic market. On a brighter note, revenues on export sales rose by a healthy 92%.

Three new overseas markets were entered in 2010, namely Tanzania, South Africa and Australia, while returns were made to three markets where T&G had been successful in the past; Sri Lanka, Morocco and Ethiopia. Such moves proved markedly beneficial as major projects were obtained in five of these countries and such is the perceived potential that local representatives have been appointed. At home, the Division was successful in winning what is its largest ever order, this being for the fabrication and supply of 825 380KV double-circuit overhead line lattice steel towers for Saudi Electricity Company, Eastern Province for the Munifa to Qaisumah power transmission project.

To enhance T&G's potential, approved supplier status was sought and received from Babcock International of the UK; Babcock Ntuthuko Powerlines, South Africa; American Electrical Power, USA; Transpower, New Zealand; Tanzania Electricity Supply Company; and Kuwait Oil Company.

In July, T&G's second galvanizing plant with a capacity of 50,000MT a year became operational. This new, state-of-the-art facility is equipped with advanced technology and the latest machinery to meet the highest environmental standards. T&G's capacity is now 75,000MT a year, positioning the Division exceptionally well to pursue its newly defined strategy of increased focus on large volume projects in the transmission line sector. Implementation of this strategy should ensure reduced unit overhead costs and an enhanced ability to be ever more competitive in the coming year.

Zamil Steel – Process Equipment Division (PED)

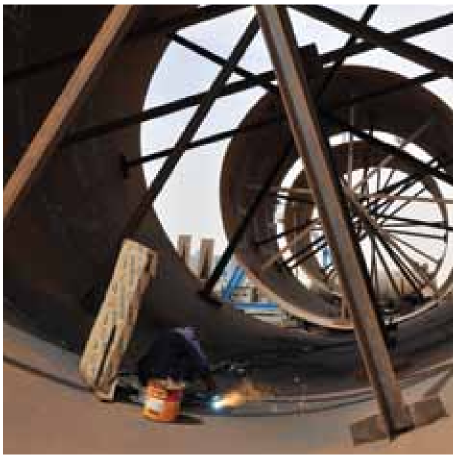
2010 has seen Process Equipment Division (PED) increase its level of production over a year earlier by 100% due largely to increased

With projects already in hand, PED looks to 2011 with confidence

domestic demand, mainly from the Jubail Export Refinery. This ensured that PED shipped a record annual tonnage in 2010 of 6,000MT.

Despite this increase, revenues declined by 14% due in part to the level of competition being exerted by Korean manufacturers but also to delay in the approval of the Saudi Services for Electro Mechanic Works Company (SSEM) Ras AzZour project. Additionally, export sales also evidenced a fall, of 25%, due to the strength of the Saudi market and to the factory's operation at maximum capacity.

To enhance the Divisions capabilities, a new CNC drilling machine for tube sheets and milling and boring equipment for forgings and flanges were installed and the company attained ISO9001:2008 certification. Installation and demonstration of a new rolling machine for cold rolled bending of steel plates, which can cold roll steel plate of up to 250mm thickness, has resulted in receipt of approval from Saudi Aramco for the supply of 200mm thick steel plate. Of particular note was the award of two important projects: PED's first furnace project, from PetroChem Zamil Company, and vessels for the Wasit Gas Plant and Shoaibah Power Plant projects, two of which are 159mm thick.



PED seeks always to be socially responsible in the community in which it operates. In 2010, this was evidenced by the design of a condenser specifically for use of King Fahd University of Petroleum and Minerals and the hiring of 53 Saudi nationals, of whom seven were graduates and two were handicapped.

With projects already in hand in Saudi Arabia at the year-end, PED looks to 2011 with confidence.

Zamil Steel – Building Components Solutions (BCOMS)

Business Components Solutions (BCOMS) is a manufacturer of sandwich panels and building components and is based in Dammam.

BCOMS' markets in 2010 proved to be very slow, allied to which the competitive environment proved especially tough with manufacturers from elsewhere in the GCC, and especially those in the UAE, proving very aggressive in driving prices down in Saudi Arabia.

Despite this BCOMS was able to increase its revenues by 7% year-on-year on the back of a 23% rise in production. However, export sales were lower by 30% as the Company took the strategic decision to focus its sales efforts in Saudi Arabia where demand volumes were higher.

Nevertheless, this was not to the exclusion of exports as product was shipped to all of Libya, Tanzania, Nigeria, Sudan and Egypt.
The rise in production resulted directly from the signing of substantial projects, from export

demand in Egypt, to where some 20% of production was directed, and to satisfaction of the requirements of steel companies in Saudi Arabia other than Zamil Steel.

In support of the company's existing activities a new single skin trims and sundries products line commenced production during the year and a new sales office was opened in Jubail. Furthermore, major modifications were made to the existing production line to enhance the quality and productivity of the factory.

Major projects won or commissioned over the 12 months included the provision of cladding and roof sheeting to the Ma'aden Phosphoric Acid Plant (PAP) Project at Ras AzZour; sandwich panel cladding and engineering work for Power Plant 10 at the Riyadh and Qassim Power Plant; the supply and erection of a building envelope for the GE Infrastructure Project in Dammam; roof and wall sandwich panels for Makro Cash and Carry in Cairo, Egypt; and the changing of the full cladding of the Al Jomaih Bottling Plants in Riyadh and Al Qassim.

BCOMS seeks always to lead the way in environmental protection. To this end, an agreement was signed with Bay Systems Pearl, the regional polyurethane house of Bayer Material Science of Germany, as a founder member of the EcoCommercial Building program in the Middle East that seeks to promote green building envelope solutions for commercial buildings using sustainable and ecological products. The agreement also foresees the production by BCOMS of thermal insulation polyurethane panels. A major step

BCOMS is well-positioned to take full advantage of the opportunities available

in this direction is being taken by BCOMS by phasing-out HCFC materials used in the manufacturing process and replacing them with 100% environmentally friendly products. Worthy of note and as a contribution to energy conservation, BCOMS products are already made of 100% recyclable materials.

As the year ended, the existing high level of competition experienced was expected to continue into 2011. Nevertheless, BCOMS is well-positioned to take full advantage of the opportunities available, especially in Saudi Arabia, but also in the wider Middle East and Africa.

Zamil Inspection and Maintenance of Industrial Projects Co. (ZIMIPCO)

Zamil Inspection and Maintenance of Industrial Projects Co. (ZIMIPCO) Dammam, operates as a shutdown and maintenance company, especially of heat exchangers. In its first full year of operation, the company saw its revenues rise 200% over those attained in 2009.

During the year, two long form contracts were acquired, both from Saudi Aramco. These are of five and three years duration, the first for the overhaul of heat exchangers and the second for the protection and preservation of Class 19 equipment. Two major shutdown contracts were also received, one for Eastern Petrochemical Company (Sharq), for the overhaul of heat exchangers, and the other for Saudi Iron and Steel Company (Hadeed), both of which are subsidiaries of SABIC.

At year's end, in order to broaden the company's activities, an association was under negotiation with an Italian company to enable the handling of electrical projects. Action was also initiated to establish a new workshop in Jubail.

Given the contracts already in hand, ZIMIPCO has a firm base on which to grow its business further in 2011.

Petro-Chem Zamil Company Ltd.

Petro-Chem Zamil commenced operations in 2010. During the year, the company succeeded in attaining two substantial contracts; an 800 ton fire heater for Saudi Aramco's Riyadh Refinery and Delayed Coker Furnaces for Technicas Reunidas at Yanbu Export Refinery.

HVAC Sector

Zamil Air Conditioners profits grew by 69% in 2010

Zamil Air Conditioners
The revenues of Zamil Air Conditioners grew by 3% and profits by 69% in 2010.

The Unitary and Applied Business Unit succeeded in growing its bottom line by 15% over the figure for 2009 on the back of an increased level of project orders, the largest of which were package units for Metro Makkah, the 200 Schools Project and for housing at King Faisal University and Royal Commission for Jubail and Yanbu; double skin AHUs and FCUs for King Saud University; double skin AHUs for the Princess Noura University in Riyadh and Rabigh Power Plant; and Chillers, AHUs and FCUs for the 300-bed East Riyadh Hospital.

The Consumer Business Unit saw a marked increase in its bottom line as major orders, both in Saudi Arabia and for export, were received, including those for Mini-Split units for the 200 Schools from China Railway 15th Bureau; Mini-Split units for the Ministry of Education; and room air conditioners and Mini Split units for both the Ministry of Health and Saudi Border Security.

New Products
In November, the Chiller Product Unit launched a new Screw Water Chiller with a cooling capacity of between 50 and 500 tons using variable frequency drive to vary compressor supply frequency between 30Hz and 60Hz. These units

subsequently successfully passed the stringent testing requirements of the Underwriters Laboratories (UL) Safety Standards Organization.

In the same month, Applied Product Unit launched Air-Cooled Radiators and a month later Chiller Product Unit launched a new series called AquaChill with single or tandem scroll compressors with a capacity range of 10 to 190 tons.

Zamil CoolCare's business grew 16% year-on-year in 2010

Also during the year, Zamil Air Conditioners launched a line of Process Cooling Chiller Systems that are designed to meet a wide range of customer needs with cooling capacities of between 10 and 1,000 tons, as well as newly-developed Compact Roof-Top Packaged Air Conditioners (PA series) that provide further options for cooling residential and commercial spaces, and especially for towers, small buildings and wherever space is limited.

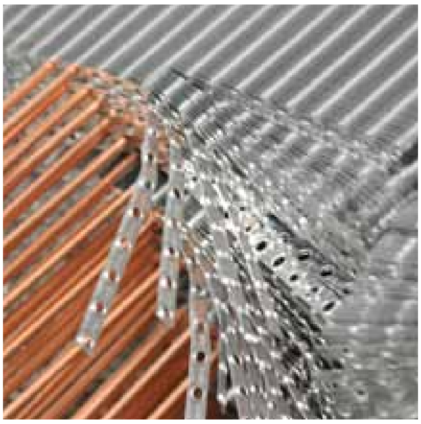
To address the needs of customers, and to improve their experience of dealing with Zamil Air Conditioners, a new, high-tech Customer Contact Center was introduced during the year. The Center provides a variety of powerful features, including automatic call distribution, conditional call routing, call-in-queue and expected wait-time messages, enterprise data analysis, real-time data, historical reporting, interactive voice response (IVR), computer telephony integration and call treatment.

The Future

Having navigated the poor market conditions for two years, Zamil Air Conditioners looks to the future with confidence, with the company's new products and enhanced certification providing further potential for growth as the global, and especially the Saudi Arabian, economy develop further.

Zamil CoolCare

Zamil CoolCare's business grew 16% year-on-year in 2010 in the light of the award of a substantial number of projects, the largest of which were: EPC contracts for Al Noor Specialist Hospital in Makkah and the Jeddah Reverse Osmosis (RO) Plant project; an HVAC-EPC contract for the melt shop at the Saudi Iron & Steel Company (Hadeed) in Jubail; chiller replacement for the National Guard at Dirab; supply and installation at the Jizan Steel Plant and the Jubail Export Refinery; and a repair and maintenance contract of HVAC units in seven locations for Saudi Aramco.



Geoclima

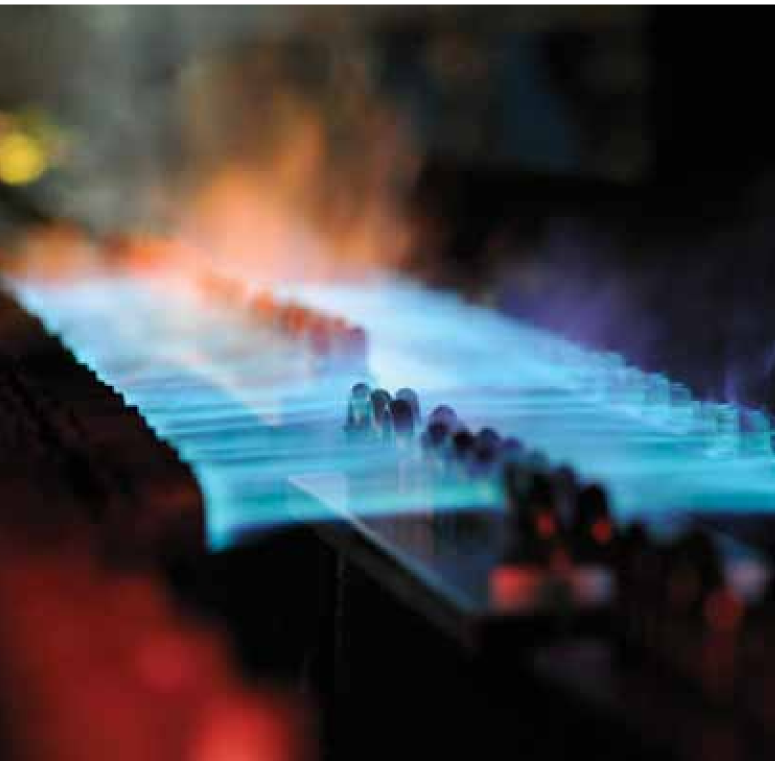
Geoclima: 'Most Efficient HFC-Based Chiller"

Continuing its success in attaining a prime award in 2009, Geoclima's Turbomiser series of chillers was voted the "Most Efficient HFC-based Chiller" at the Chartered Institution of Building Services Engineers (CIBSE) Low Carbon Performance Awards 2010 in the United Kingdom. This award is especially notable as it places Geoclima ahead of other well-known suppliers of such equipment.

Also during the year, Geoclima was awarded a contract to supply and install five Turbomiser chillers of 1400kw for the Dart Data Center at Slough, owned by Barclay's Bank and located in Berkshire, England. Each was equipped with a special free cooling refrigerant pump and designed to operate at an exceptionally low noise level.

Product Certification

Zamil Air Conditioners was one of the first companies to be awarded certification under the Energy Label Program of the Saudi Arabian Standards Organization (SASO). This was for 35 RAC and 16 Mini-Split models. Additionally, ten Chilled Water Fan Coil units received the Eurovent product performance certification following satisfaction of stringent criteria on capacity, airflow and noise.



Trade Mark Registration

In July, the company registered its new range of Anti-Corrosion Coatings under the name "ResisTec®". These coatings are available for a range of applications on HVAC products and components.

Zamil Hudson Company Ltd.

In its first full year of activity, Zamil Hudson has seen considerable business growth both domestically and overseas, especially in the company's after-market business.

Major contracts were attained for the supply of air-cooled heat exchangers for SAMREF's clean fuel project in Saudi Arabia and for Shell Malaysia; the installation of a major utility package for the Jubail Export Refinery; the debottlenecking and retrofitting of air-cooled heat exchangers for Petro-Kemya in Jubail; and the signing of a ten year purchasing agreement with Saudi Aramco for the supply of finned tubes.

Integral to the company's growth has been the installation of new equipment. Additions have included high speed extruded finning machinery; a new break press and radial drill machine; and metal inert gas, tungsten inert gas and arc welding machinery. Furthermore, ISO 9001 and ASME – U, U2 and R certification were also received.
As the year ended, Zamil Hudson was confident of continued growth in the year to come.

Glass Sector

Zamil Glass Industries
In 2010 the Saudi glass processing industry underwent structural changes, partly as a result of the fall-out of the financial crisis and partly due to the entry into Saudi Arabia of processors from elsewhere in the region. The net result was heavy cost cutting to ensure survival in what proved to be poor market conditions. Despite this situation, Zamil Glass' revenues fell by just 16.3% over those in 2009.

During the year, the company received 22 orders, of which eight were from overseas; seven from Kuwait and one from Qatar. A substantial majority of the orders, 92%, were for double glazing. This encouraged the company to step up its activities in pursuing orders for other products so as to enhance plant utilization and profitability while seeking to further enhance quality.

Looking ahead, recognition has been given to the practical constraints on the business from aluminum fabricators and other glass manufacturers. To ensure sustainable growth, the strategic decision has been taken to establish selective partnerships with value-chain partners, for example key customers, and to reposition the business to offer bundled services.

Insulation Sector

Arabian Fiberglass Insulation Company Ltd. (AFICO)

2010 proved successful for Arabian Fiberglass Insulation Company Ltd (AFICO) in Dammam with both gross revenues and production rising, by 3.5% and 2% respectively, in an environment constrained by capacity and melter limitations. Export sales, however, declined by 4% as priority was given to the domestic market where major orders were received from Princess Noura University and King Abdullah Financial District, both of which are in Riyadh.

The AFICO 2 project, a new 20,000MT glass wool plant, came on stream in August.

The year also saw renewal of the company's ISO9001, ISO14001 and OHSAS 18001 and Saudi Civil Defense certification.

Recognition of AFICO's close attention to the environment was well rewarded in 2010 when the company received the "Global Insulation Plant of the Year" award as well as "The Energy Efficient Plant" award, the latter from the Saudi Electricity Company (SEC).

With the new glass wool plant in operation, AFICO looks to further growth in the coming year.

Armacell Zamil Middle East Co. (AZMEC)

AZMEC, in its first year of operation, succeeded in producing all those Armacell products that have been targeted for Middle Eastern markets. Importantly, AZMEC attained FM Approval, MEPA and Civil Defense Certification during the year.

Afico: "Global Insulation Plant of the Year"

Ranco Zamil attained ISO9001: 2008 during the year

Concrete Sector

Rabiah & Nassar and Zamil Concrete Industries Co. Ltd. (Ranco Zamil)
Ranco Zamil succeeded in raising its production during the year but not to the company's full potential due to a number of manufacturing bottlenecks, which had been addressed before the year end. Despite the increased level of production, revenues saw a decline of 10.9% year-on-year.

The company's new hollow core factory, with six casting beds each 150 meters long, was commissioned early in the year and building commenced on a new circulation pallet plant. The upgrading of the existing factory continued apace to incorporate new steel cut and bend machinery and also a new concrete batch and mix plant with concrete distribution and casting equipment.

Major projects assigned to Ranco Zamil in 2010 included King Saud University Endowment, Najran University parts 1 and 2, Qaseem University, Jizan Hospital and a building for Assad Said for Contracting Co. at Ras AzZour.
The company attained ISO9001:2008 certification late in the year.

Corporate & Shared Services

Review

Internal audit conducted 108 audit assignments in 2010

Corporate and Shared Services remained much in demand in 2010 providing essential administrative, operational and support services to Group companies and divisions.

Internal Audit
In fulfilling its role of minimizing risk and identifying failures in procedures and weaknesses in control that could lead to fraud, Internal Audit conducted 108 audit assignments and nine policy and procedures activities in 2010. These resulted in 117 reports containing 1,394 recommendations for improved operational efficiency, cost reductions and the strengthening of internal control.

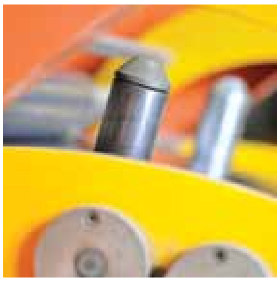
Corporate Human Resources
HR conducted the Employee Recognition Program – Achievers Club during the year with all "A" performers being recognized across the company.

Revised and approved Human Resource Policies were published on the intranet portal for guidance of all staff, while HR participated in the Saudi Arabia Salary Benchmark Survey conducted by the Hay Group. The company's annual employee opinion survey was also undertaken in the fourth quarter.

During the year, Performance Management Training was organized for 40 managers across Zamil Industrial with the specific aim of providing a working knowledge of target setting and performance measurement.

Training
All training programs, including those provided on-the-job, were captured on the automated training data capture program during the year. Supervision of the construction of the new training institute was also provided.

During the year, the Training Institute was awarded accreditation by the British Technical Education Council



and London Examination Board (Edexcel), while a cooperation agreement was signed with Grimsby Institute of Further and Higher Education (GIFHE), the leading UK-based provider of vocational air conditioning and refrigeration technology training.

As in previous years, the Training Center conducted and facilitated a full schedule of summer and cooperative training programs for university, college of technology and secondary school students. The programs offered students a valuable opportunity to gain various vital career skills, including communication, planning, problem solving and teamwork skills, as well as a chance to develop a positive work ethic through exposure on a daily basis to the real work environment and interaction with employees of different nationalities and work categories.

The Corporate Emergency Action Plan was implemented during the year

Information Technology
2010 has seen Information Technology implement two significant assignments: the introduction of SUCHI (the Supply Chain Internal Management System) to the Zamil Steel subsidiaries in India, Vietnam and Egypt as well as the segregation of the Building Products Group (BPG) and the Industrial Steel Products Group (ISPG) in accordance with the new Zamil Steel organizational structure.

SUCHI had been introduced to Saudi Arabia and Ras Al Khaimah some years earlier and thus Zamil Steel has now been integrated globally.

Loss Prevention and Safety
In 2010, Loss Prevention Department celebrated five years of implementing a revolutionary safety culture across the entire company.

The corporate Emergency Action Plan was implemented during the year followed by emergency drill exercises in all factories and offices, while training programs for all factory employees were conducted on Health, Safety and the Environment.

The year has seen also the development and implementation of the Safety, Health and Environment Management System (SHEMS) and the Safety Task Analysis and Risk Reduction Talk Program (STARRT). Furthermore, LPD's very professional website has been introduced — incorporating general instructions, activities, safety alerts and messages, monthly reports and newsletters.

Administration
All requests for salary and transport allowance advances and loans are now processed through the company's iSweet program that can be accessed by those employees with automated forms who have access to the intranet.

Facilities Management
The Company's own facilities in Gizan, comprising a showroom, warehouse, service shop and accommodation, were commissioned during the year and the Administration's Service Help Desk was launched and automated to handle requisitions for personal service vehicles and mobile phone services.

A new clinic facility was commissioned at Zamil Air Conditioners that has been laid out in accordance with Ministry of Health guidelines. It is now available

Several agreements were signed with local charitable foundations

for the supply of medicines to those with prescriptions and to provide transportation to hospital from the clinic and back to the factory or the employees' residences.

Legal Affairs
2010 was another busy year for Legal Affairs providing advice to operating business units and departments; amending existing articles of association and industrial licenses – for Zamil Steel Factory, Middle East Air Conditioners Co. Ltd., and Zamil Inspection and Maintenance of Industrial Projects Co; assisting in the formation of new companies – Petro-Chem Zamil Company Limited, Zamil Steel Company and Zamil Industrial Training Institute Company; and liaising with the Saudi Industrial Development Fund on behalf of T&G for its new galvanizing plant and AFICO for its new glass wool plant.

Legal Affairs has also been involved in the legal due diligence being undertaken in regard to the possible acquisition by Zamil Industrial of a controlling interest in Gulf Insulation Group.

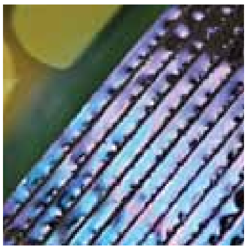
Corporate Social Responsibility
Zamil Industrial is a responsible corporate citizen and as such has taken up the challenge to serve the communities in which it works, not only by employing local people but also by providing donations to those in need.

In 2010 agreements were signed with local charitable foundations that include the HRH Prince Mohammad Bin Fahd Program for Youth Development, Dar Al-Khair in Dammam, and Al-Ehsan Charity Center in Al Khobar, all of which serve the poor, orphans and those with special needs, to provide 340 new, life- sustaining and improving job training and employment opportunities for Saudi nationals who are willing and able to work – regardless of their status.

Furthermore, the company sponsored this year's summer training programs conducted by the Saudi Association for Hearing Impairment, Eastern Province Branch, Dammam. Participants included 30 hearing-impaired women, as well as six female trainers and translators.

During the year, a Saudi Graduate Development Program was launched as part of the Company's overall Talent Management Strategy. The program aims to recruit and develop Saudi graduates for future employment within the company's core functions.

Zamil Industrial also sponsors events related to human resource development, and in 2010 was the Platinum Sponsor for "The Role of National Human Resources in



Zamil Industrial received the "Best Working Environment In Saudi Arabia" Award

Technology Transfer Forum" that was organized by the Asharqia Chamber in cooperation with Saudi Aramco to discuss the human resources relationship to technology
As a commitment to society as a whole, a second annual special blood donation campaign was conducted. More than 150 employees contributed their time and donated blood, reflecting a high level of commitment to Zamil Industrial's core values.

Elsewhere, Zamil Steel Egypt provided training to Faculty of Engineering students during the summer vacation; made donations of equipment to universities; and worked with the Housing and Building National Research Center on a research assignment related to the use of Cold-formed steel (CFS) in residential buildings. In recognition of its activities, the company received an Appreciation Award from Mobis Company, the largest South Korean auto parts company.

In Vietnam, Zamil Steel Vietnam is well-recognized for its support of local community and charitable activities. These continued in 2010 with the distribution of food and gifts and the raising of funds for worthy causes such as Soc Son School in Hanoi and flood victims in Central Vietnam. Zamil Steel Vietnam also hosted visits to its premises by international delegations, while sponsoring technical seminars both at home and overseas.

Recognition

Zamil Industrial received the "Best Working Environment for Training and Development 2009" Award in recognition of its inclusive approach to employee career development in a survey conducted by consultants TeamOne Middle East and Al Eqtisadiyah newspaper.

The company also attained "The Best Working Environment in Saudi Arabia" among publicly listed companies in the building and construction sector. More than 40 Saudi industrial companies were included in the survey.

Zamil Steel Vietnam was also the recipient of an award during the year from the Philippine Institute of Civil Engineers, in recognition of the company's sponsorship of a conference on Earthquake Engineering: Static and Dynamic Analysis of Multi-Story Buildings.

Deloitte.

Deloitte & Touche
Bakr Abulkhair & Co.
Public Accountants - License No. 96
P.O. Box 182, Dammam 31411
Kingdom of Saudi Arabia

Tel: +966 (3) 887 3937
Fax: +966 (3) 887 3931
www.deloitte.com
Head Office: Riyadh

Zamil Industrial Investment Company (Saudi Joint Stock Company) and subsidiaries Consolidated Financial Statements and Auditors' Report Year Ended 31 December 2010

Scope of Audit:

We have audited the accompanying consolidated balance sheet of Zamil Industrial Investment Company (Saudi joint stock company) ("the parent company") and its subsidiaries (collectively referred to as "the group") as at 31 December 2010 and the related consolidated statements of income, consolidated cash flows and consolidated changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the parent 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement 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:

1) present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2010 and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

2) comply with the requirements of the Regulations for Companies and the parent company's bye-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

Deloitte & Touche
Bakr Abulkhair & Co.

ديلويت آند توش
بكر أبو الخير وشركاهم
محاسبون قانونيون
ترخيص رقم ٩٦ Lic. 96
C.P.A
Deloitte & Touche
Bakr Abulkhair & Co.

Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339

17 Rabi' Awal 1432H
20 February 2011
Alkhobar

Audit . Tax . Consulting . Financial Advisory.

Member of
Deloitte Touche Tohmatsu

CONSOLIDATED BALANCE SHEET
As At 31 December 2010

	Note	2010 SR 000	2009 SR 000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	**296,171**	353,878
Accounts receivable and prepayments	4	**1,382,695**	1,272,683
Inventories	5	**1,654,176**	1,510,354
Amounts due from related parties and affiliates	10	**91,714**	143,463
TOTAL CURRENT ASSETS		**3,424,756**	3,280,378
NON-CURRENT ASSETS			
Investments	6	**324,153**	246,447
Property, plant and equipment	7	**1,118,839**	1,086,151
Deferred charges	8	**11,838**	22,360
Goodwill	9	**27,730**	27,730
TOTAL NON-CURRENT ASSETS		**1,482,560**	1,382,688
TOTAL ASSETS		**4,907,316**	4,663,066
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Notes and accounts payable, accruals and provisions	11	**861,316**	839,342
Amounts due to related parties and affiliates	10	**15,257**	16,015
Advances from customers		**246,568**	321,111
Murabaha and tawarruq finances	13	**1,339,233**	975,881
Short term loans	14	**49,744**	40,978
Current portion of term loans	15	**243,105**	240,068
TOTAL CURRENT LIABILITIES		**2,755,223**	2,433,395
NON-CURRENT LIABILITIES			
Term loans	15	**530,995**	770,951
Employees' terminal benefits		**213,386**	159,437
Long term payables		**8,921**	10,796
TOTAL NON-CURRENT LIABILITIES		**753,302**	941,184
TOTAL LIABILITIES		**3,508,525**	3,374,579
SHAREHOLDERS' EQUITY			
Share capital	16	**600,000**	450,000
Statutory reserve		**169,036**	147,923
Retained earnings		**486,924**	388,903
Proposed stock dividends	16	-	150,000
Proposed cash dividends	17	**45,000**	67,500
Unrealized gain on investments		**1,368**	-
Translation loss on consolidation		**(13,428)**	(8,855)
		1,288,900	1,195,471
Minority interests	18	**109,891**	93,016
TOTAL SHAREHOLDERS' EQUITY		**1,398,791**	1,288,487
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4,907,316**	4,663,066

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

CONSOLIDATED STATEMENT OF INCOME
Year Ended 31 December 2010

	Note	2010 SR 000	2009 SR 000
Net sales	23	**4,018,412**	4,204,412
Cost of sales		**(3,022,982)**	(3,252,650)
GROSS PROFIT		**995,430**	951,762
EXPENSES			
Selling and distribution	19	**369,667**	313,158
General and administration	20	**333,491**	264,708
Amortization of deferred charges	8	**4,843**	4,465
		708,001	582,331
INCOME FROM MAIN OPERATIONS	23	**287,429**	369,431
Other income, net	21	**30,125**	13,251
Financial charges	22	**(56,359)**	(91,735)
Share in results in associates and an unconsolidated subsidiary, net	6	**2,263**	(7,687)
INCOME BEFORE ZAKAT, TAXES AND MINORITY INTERESTS		**263,458**	283,260
Net minority interests in results of subsidiaries		**(18,812)**	(17,618)
INCOME BEFORE ZAKAT AND TAXES		**244,646**	265,642
Foreign taxes		**(8,517)**	(4,323)
Zakat	12	**(24,995)**	(31,169)
NET INCOME FOR THE YEAR		**211,134**	230,150
Earnings per share (from main operations)	24	**SR 4.79**	SR 6.16
Earnings per share (from net income)	24	**SR 3.52**	SR 3.84
Weighted average number of shares		**60,000,000**	60,000,000

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

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended 31 December 2010

	Note	2010 SR 000	2009 SR 000
OPERATING ACTIVITIES			
Income before zakat, taxes and minority interests		**263,458**	283,260
Adjustments for:			
Depreciation		**112,348**	106,282
Gain on disposal of property, plant and equipment		**(79)**	(397)
Gain on sale of investments		**(791)**	-
Share in results in associates and unconsolidated subsidiary, net		**(2,263)**	7,687
Amortization of deferred charges		**5,916**	4,713
Financial charges		**56,359**	91,735
		434,948	493,280
Changes in operating assets and liabilities:			
Inventories		**(143,822)**	830,833
Receivables		**(58,866)**	112,833
Payables		**(60,239)**	(96,885)
Cash from operations		**172,021**	1,340,061
Employees' terminal benefits, net		**53,949**	16,161
Financial charges paid		**(56,359)**	(91,735)
Zakat and foreign taxes paid		**(30,475)**	(12,919)
Net cash from operating activities		**139,136**	1,251,568
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(147,380)**	(180,198)
Proceeds from disposal of property, plant and equipment		**3,855**	2,716
Proceed from sale of investments		**14,677**	-
Deferred charges incurred		**(779)**	(9,942)
Investments acquired		**(87,203)**	(15,428)
Net cash used in investing activities		**(216,830)**	(202,852)
FINANCING ACTIVITIES			
Dividends paid		**(112,500)**	(67,500)
Term loans, net		**(236,919)**	(67,648)
Change in short term loans, murabaha and tawarruq finances		**372,118**	(764,630)
Minority interests, net		**(1,937)**	2,162
Net cash from (used in) financing activities		**20,762**	(897,616)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(56,932)**	151,100
Cash and cash equivalents at the beginning of the year		**353,878**	201,393
Movement in translation loss, net		**(775)**	1,385
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	**296,171**	353,878

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Year Ended 31 December 2010

	Share capital SR 000	Statutory reserve SR 000	Retained earnings SR 000	Proposed stock dividends SR 000	Proposed cash dividends SR 000	Unrealized (losses) gains investments SR 000	Translation loss on consolidation SR 000	Total SR 000
Balance at 31 December 2008	450,000	124,908	401,268	-	67,500	(5,020)	(10,397)	1,028,259
Net income for the year	-	-	230,150	-	-	-	-	230,150
Transfer to statutory reserve	-	23,015	(23,015)	-	-	-	-	-
Directors' remuneration	-	-	(2,000)	-	-	-	-	(2,000)
Dividends paid	-	-	-	-	(67,500)	-	-	(67,500)
Proposed stock dividends (note 16)	-	-	(150,000)	150,000	-	-	-	-
Proposed cash dividends (note 17)	-	-	(67,500)	-	67,500	-	-	-
Movement during the year	-	-	-	-	-	5,020	1,542	6,562
Balance at 31 December 2009	450,000	147,923	388,903	150,000	67,500	-	(8,855)	1,195,471
Net income for the year	-	-	211,134	-	-	-	-	211,134
Transfer to statutory reserve	-	21,113	(21,113)	-	-	-	-	-
Increase in share capital (note 16)	150,000	-	-	(150,000)	-	-	-	-
Directors' remuneration	-	-	(2,000)	-	-	-	-	(2,000)
Dividends paid (note 17)	-	-	(45,000)	-	(67,500)	-	-	(112,500)
Proposed cash dividends (note 17)	-	-	(45,000)	-	45,000	-	-	-
Movement during the year	-	-	-	-	-	1,368	(4,573)	(3,205)
Balance at 31 December 2010	**600,000**	**169,036**	**486,924**	**-**	**45,000**	**1,368**	**(13,428)**	**1,288,900**

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

1. STATUS AND ACTIVITIES

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

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

The consolidated financial statements include the financial statements of the parent company's head office, its branches and its subsidiaries, collectively referred to as "the group" in these consolidated financial statements, as listed below:

Branches:

- Zamil Steel Industries, engaged in the manufacture and erection of steel buildings, transmission line towers, structural steel products, process equipment and sandwich panels.

- Zamil Air Conditioners, engaged in the manufacture and assembly of room and central air conditioners and other related activities.

- Zamil Glass Industries, engaged in the production of glass.

Subsidiaries:

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

1. STATUS AND ACTIVITIES - continued

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

The consolidated financial statements have been presented in Saudi Riyals.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Cash and cash equivalents
Cash and cash equivalents consist of bank balances, cash on hand, and short term investments that are readily convertible into known amounts of cash and have a maturity of three months or less.

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

Inventories
Inventories are stated at the lower of cost and market value. Cost is determined as follows:

Raw materials	- Purchase cost on weighted average basis.
Work in process and finished goods	- Cost of direct materials and labor plus attributable overheads based on normal level of activity.

Investments
Investments in marketable equity securities are classified according to the group's intent with respect to those securities. Marketable equity securities held to maturity are stated at amortized cost, adjusted for the related premium or discount. Marketable equity securities held for trading are stated at fair value and unrealized gains and losses thereon are included in the consolidated statement of income. Marketable equity securities available for sale are stated at fair value and unrealized gains and losses thereon are included in consolidated stockholders' equity. Where the fair value is not readily determinable, such marketable equity securities are stated at cost less allowance for impairment in value.

Income from the investments in marketable equity securities is recognized when dividends are received.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Investments (continued)
An associate is an enterprise over which the group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee. The results of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognize any impairment in the value of the individual investments.

Subsidiaries and associates which are dormant or under development stage or where the information is not available are stated at cost.

Property, plant and equipment/depreciation
All property, plant and equipment are recorded at cost. Freehold land and capital work in progress are not depreciated. Depreciation is provided on other property, plant and equipment at rates calculated to write off the cost of each asset over its expected useful life.

Expenditure for repair and maintenance are charged to income. Improvements that increase the value or materially extend the life of the related assets are capitalized.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

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

Loans front-end fees relating to the loans from Saudi Industrial Development Fund ("SIDF"). These costs are being amortized over the period of the loans and the amortization is capitalized as part of capital work-in-progress (if applicable) up to the date of commencement of commercial operations and subsequently it is charged to the consolidated statement of income.

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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

Zakat and income tax
Zakat is provided for in accordance with Saudi Arabian fiscal regulations. Income tax is provided for in accordance with foreign fiscal authorities in which the group's foreign subsidiaries operate. The liabilities are charged direct to the consolidated statement of income. The zakat charge and income tax, assessable on the minority shareholders is included in minority interest.

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

Foreign subsidiaries make provision in accordance with the laws of countries in which subsidiaries operate.

Revenue recognition
Net sales represent the invoiced value of goods supplied, services rendered and work executed by the group during the year. For central air conditioning jobs, revenue and proportionate profit are recognized when the outcome of the contract can be determined with reasonable certainty. If losses are foreseen, they are provided for in full.

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

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

Foreign currencies
Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

Financial statements of foreign operations are translated into Saudi Riyals using the exchange rate at the balance sheet date for assets and liabilities and the average exchange rate for revenues, expenses, gains and losses. Components of equity, other than retained earnings, are held at the historical rates. Translation adjustments are recorded as a separate component of consolidated stockholders' equity. Translation loss that is considered permanent is charged to the consolidated income statement.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

Leasing

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

3. CASH AND CASH EQUIVALENTS

	2010 SR 000	2009 SR 000
Cash and bank balances	296,171	306,768
Islamic deposits	-	47,110
	296,171	353,878

4. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2010 SR 000	2009 SR 000
Trade accounts and notes receivable	965,270	1,036,617
Prepaid expenses	36,010	27,223
Retentions receivable	5,094	24,200
Advances, deposits and other receivables	168,640	149,539
Advance to an unconsolidated subsidiary (see note below)	76,420	-
Costs in excess of billings	131,261	35,104
	1,382,695	1,272,683

The parent company has given advance to Eastern District Cooling Company Limited, an unconsolidated subsidiary. The subsidiary is in the process of obtaining project financing loan from a commercial bank.

5. INVENTORIES

	2010 SR 000	2009 SR 000
Materials, supplies and stores	1,034,709	975,129
Work-in-progress	127,695	58,934
Finished goods	327,039	344,401
Goods-in-transit	164,733	131,890
	1,654,176	1,510,354

6. INVESTMENTS

	2010 SR 000	2009 SR 000
Investment in listed companies	**8,796**	22,682
Unrealized gain on revaluation	**1,368**	-
Available for sale investments	**10,164**	22,682
Investment in associates	**162,457**	159,436
Investment in subsidiaries	**95,568**	8,365
Other investments	**55,964**	55,964
	324,153	246,447

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

1. 27.5% share in Saudi Aerated Concrete Industries Company (a Saudi limited liability company). The principal activities of the company are the production of aerated concrete blocks and partitions.

2. 25% share in Energy Central Company B.S.C. (Bahrain). The principal activities of the company are to provide metered energy, central refrigeration and other support and environmental services for large-scale infrastructure development in the Gulf region. Energy Central Company owns 49% share in Saudi Central Energy Company.

3. 51% Share in Saudi Central Energy Company (a Saudi limited liability company). The principal activities of the company are to undertake and execute the contracts for the installation and treatment of energy and water plants, electricity generating stations and their operation and maintenance, and laying networks for its transportation and distribution. Saudi Central Energy Company is controlled by Energy Central Company B.S.C. (Bahrain).

4. 30% share in Advantec Coils Private Ltd. (India) ("Advantec"). The principal activities of the company are to manufacture and assembly of room and central air conditioners.

5. 50% share in Rabiah and Nassar & Zamil Concrete Industrial Co. Ltd. ("RANCO") (a Saudi limited liability company). The principal activities of the company are to design, manufacture and erect precast concrete buildings used for various applications including residential, schools, shopping malls, plants, wall panels, and fabricate a variety of other concrete-based products.

6. 49% share in Armacell Zamil Middle East Company Limited (a Saudi limited liability company). The principal activities of the company are to manufacture rubber adhesive, foam rubber insulation and related accessories and sundries.

7. 51% share in Zamil New Delhi Infrastructure Pvt. Ltd. The principal activities of the company are supply of telecom towers, accompanying shelters fitted with the appropriate sandwich panels, customized air conditioning equipment and power interface units. It will also supply a range of related support products, along with comprehensive installation and maintenance services.

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

6. **INVESTMENTS -** continued

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

	2010 SR 000	2009 SR 000
Working capital	**155,027**	68,275
Other assets - net of liabilities	**75,480**	172,339
Net assets	**230,507**	240,614
The group’s equity in net assets	**86,869**	85,223
Revenue	**440,348**	305,320
Net loss	**(4,479)**	(6,769)
The group’s share of income	**2,263**	3,260

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

Investment in subsidiaries comprise of the following:

1. 100% share in Arabian Stonewool Insulation Company, a Saudi limited liability company. The principal activity of the company is production of stonewool. The company is under formation stage.

2. 100% share in Eastern District Cooling Company Limited, a Saudi limited liability company. The principal activity of the company is production of industrial cooling water. In 2009, the parent company made a provisional loss of SR 2.6 million based on available information. The company is under formation stage.

Other investments comprise of the following:

1. 2.11% Share in Kinan International For Real Estate Development Company Limited (a Saudi limited liability company). The principal activities of the company are to invest in real estates like buying, construction and leasing of land and buildings.

2. 10% share in IIB Paper Company Limited (limited liability company registered in Cayman Islands). The principal activity of the company is the production of tissue paper.

7. PROPERTY, PLANT AND EQUIPMENT

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

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

	Freehold land SR 000	Buildings on leasehold land SR 000	Plant, equipment, furniture, fixtures and vehicles SR 000	Capital work-in-progress SR 000	**Total 2010 SR 000**	Total 2009 SR 000
Cost:						
At the beginning of the year	77,979	563,258	1,170,106	138,985	1,950,328	1,760,969
Additions	-	9,782	62,390	75,208	147,380	203,429
Disposals	-	(61)	(12,079)	(2,456)	(14,596)	(17,254)
Transfers (note 8)	-	23,947	56,069	(73,733)	6,283	-
Translation (loss) gain	(240)	(1,134)	(2,504)	(276)	(4,154)	3,184
At the end of the year	**77,739**	**595,792**	**1,273,982**	**137,728**	**2,085,241**	1,950,328
Depreciation:						
At the beginning of the year	-	211,439	652,738	-	864,177	772,434
Charge for the year	-	22,676	89,672	-	112,348	106,282
Disposals	-	(61)	(10,759)	-	(10,820)	(14,935)
Transfer (note 8)	-	298	-	-	298	-
Translation gain	-	391	8	-	399	396
At the end of the year	**-**	**234,743**	**731,659**	**-**	**966,402**	864,177
Net book amounts:						
At 31 December 2010	**77,739**	**361,049**	**542,323**	**137,728**	**1,118,839**	
At 31 December 2009	77,979	351,819	517,368	138,985		1,086,151

Capital work-in-progress represents mainly the cost incurred in respect of new building, expansion, upgrading of production facilities, plant and equipment acquired for general modernization for Zamil Steel Industries and Zamil Air Conditioners (Saudi Arabia). It also includes costs related to the buildings, plant and new production lines under construction related to Arabian Fiberglass Insulation Company Limited and Zamil Industrial Training Institute Company Limited.

Certain property plant and equipment of the branches and a consolidated subsidiary are mortgaged with the financial institutions (see note 15).

8. DEFERRED CHARGES

	2010 SR 000	2009 SR 000
At the beginning of the year	**22,360**	19,282
Incurred during the year	**779**	9,942
Transfers, net	**(5,382)**	(2,265)
Amortized during the year	**(5,916)**	(4,713)
Translation (loss)/gain	**(3)**	114
At the end of the year	**11,838**	22,360

9. GOODWILL

	2010 SR 000	2009 SR 000
Goodwill recognized on acquiring subsidiaries	**27,730**	27,730

10. RELATED PARTY TRANSACTIONS

Related parties represent associated companies, key personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. The following are the details of major related party transactions during the year:

	2010 SR 000	2009 SR 000
Companies affiliated to Al Zamil Group:		
Purchase of goods and services	**74,638**	57,045
Sale of goods and services	**14,392**	48,466

The group also paid SR 5.74 million (2009: SR 4.88 million) to certain directors as salary and other benefits in their capacity as executives of the group.

Directors' remuneration amounted to SR 2.0 million (2009: SR 2.0 million).

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

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

11. NOTES AND ACCOUNTS PAYABLE, ACCRUALS AND PROVISIONS

	2010 SR 000	2009 SR 000
Trade accounts payable	244,571	251,110
Notes payable under murabaha finances	33,554	15,570
Other notes payable	359	6,715
Accrued contractual costs	123,947	205,218
Accrued expenses and provisions	359,647	263,774
Zakat provision (note 12)	54,037	51,000
Billings in excess of cost	45,201	45,955
	861,316	839,342

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

12. ZAKAT

Charge for the year

The zakat charge for the year consists of:

	2010 SR 000	2009 SR 000
Current year provision	24,995	31,169

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

	2010 SR 000	2009 SR 000
Equity	1,136,826	976,176
Opening provisions and other adjustments	242,557	198,316
Book value of long term assets net of long term liabilities	(693,066)	377,199
	686,317	1,551,691
Zakatable profit for the year	322,017	297,051
Zakat base	1,008,334	1,848,742

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

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

12. ZAKAT - continued

The movement in the zakat provision was as follows:

	2010 SR 000	2009 SR 000
At the beginning of the year	**51,000**	28,427
Provided during the year	**24,995**	31,169
Payments during the year	**(21,958)**	(8,596)
At the end of the year	**54,037**	51,000

Status of assessments

Zakat assessments have been agreed with the Department of Zakat and Income Tax (the DZIT) up to 2008. The 2009 assessment has not yet been raised by DZIT.

13. MURABAHA AND TAWARRUQ FINANCES

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

14. SHORT TERM LOANS

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

15. TERM LOANS

	2010 SR 000	2009 SR 000
Loan No. 1	**88,813**	100,883
Loan No. 2	**10,287**	10,066
Loan No. 3	**675,000**	900,000
Loan No. 4	-	70
	774,100	1,011,019
Less: current portion	**(243,105)**	(240,068)
	530,995	770,951

Loan No. 1 represents the loans obtained by Zamil Steel Industries, Zamil Air Conditioners and Arabian Fiberglass Insulation Company Limited from Saudi Industrial Development Fund ("SIDF"). These loans carry appraisal fees which are being amortized over the terms of the loans and are repayable in semi- annual unequal installments, the last being payable on 15/10/1436H (corresponding to 31 July 2015). At 31 December 2010, the SIDF loans outstanding were SR 88.8 million (2009: SR 100.9 million) including a current portion of SR 14.2 million (2009: SR 12.08 million). The loans are secured by mortgage over the property, plant and equipment of the branches and a consolidated subsidiary. The loans agreements also contain certain covenants in respective of maintenance of financial ratios.

15. TERM LOANS - continued

Loan No. 2 represents various medium and long term loans obtained by Geoclima S.r.l. repayable in monthly, quarterly and half yearly unequal installments. These loans carry commission at normal commercial rates. At 31 December 2010, the loans outstanding were SR 10.3 million (2009: SR 10.1 million) including the current portion of SR 3.9 million (2009: SR 2.9 million).

Loan No: 3 represents loans obtained by parent company in the amount of SR 1,000 million from local banks to finance its working capital requirements. At 31 December 2010, the loans outstanding were SR 675 million (2009: SR 900 million) including a current portion of SR 225 million (2009: SR 225 million). The loans are repayable in half yearly and yearly unequal installments. The loans carry finance charges at SIBOR plus a margin and these loans are secured by corporate guarantees and order notes. The loans agreements contain certain financial covenants which the parent company is required to comply with.

Loan No: 4 represents a loan obtained by Zamil Steel Buildings India Private Limited from a bank. The loan was repayable in 36 equal monthly installments and carries commissions at normal commercial rates. The outstanding loan was settled during 2010.

Loan installments due in 2011 are shown as a current liability.

16. SHARE CAPITAL

The share capital of the parent company amounting to SR 600 million (2009: SR 450 million) is divided into 60 million shares of SR 10 each (2009: 45 million share of SR 10 each).

On 31 March 2010, in the extraordinary general meeting, the shareholders agreed on board of directors' proposal to increase the share capital of the parent company from SR 450 million to SR 600 million resulting to increase the number of shares from 45 million shares to 60 million shares through issuing one share for each three outstanding shares. The share capital was increased by transferring SR 150 million from retained earnings.

17. PROPOSED CASH DIVIDENDS

The board of directors have proposed cash dividends of SR 0.75 per share totaling SR 45 million being 7.5% of the share capital (2009: SR 1.5 per share totaling SR 67.5 million being 15% of the share capital) for the approval of the shareholders in their annual general meeting.

During the year ended 31 December 2010, the parent company paid an interim dividend of SR 0.75 per share totaling SR 45 million being 7.5% of the share capital (2009: nil).

The shareholders in their annual general meeting approved and distributed a cash dividend for the year 2009.

18. MINORITY INTERESTS

Minority interests are as follows:

	2010 %	2009 %
Middle East Airconditioners Company Limited	**49**	49
Geoclima S.r.l.	**15**	15
Canam Asia Limited	**35**	35
Zamil Steel Buildings - Vietnam Company Limited	**7.73**	7.73
Arabian Fiberglass Insulation Company Limited	**49**	49
Zamil Hudson Company Ltd.	**50**	50
Petro-Chem Zamil Company Limited	**50**	-

19. SELLING AND DISTRIBUTION EXPENSES

	2010 SR 000	2009 SR 000
Employee costs	**198,498**	167,848
Advertising and sales promotion	**43,458**	28,657
Services	**11,805**	15,424
Rent and utilities	**8,578**	7,931
Transportation, business travel and entertainment	**40,503**	24,616
Depreciation	**9,930**	10,897
Repairs and maintenance	**1,454**	2,288
Provision for doubtful debts	**13,065**	12,911
Others	**42,376**	42,586
	369,667	313,158

20. GENERAL AND ADMINISTRATION EXPENSES

	2010 SR 000	2009 SR 000
Employee costs	**231,999**	165,207
Depreciation	**16,371**	16,109
Services	**59,831**	48,804
Supplies	**2,062**	1,496
Others	**23,228**	33,092
	333,491	264,708

21. OTHER INCOME, NET

	2010 SR 000	2009 SR 000
Exchange gains (losses), net	**16,765**	(3,274)
Gains on sale of investments	**791**	-
Dividend income	**1,487**	716
Gain on sale of property, plant and equipment	**79**	397
Miscellaneous	**11,003**	15,412
	30,125	13,251

22. FINANCIAL CHARGES

Financial charges are incurred on notes payable, murabaha and tawaruq finances, short term loans, term loans and amortization of loans front end fees relating to loans from SIDF.

23. SEGMENTAL ANALYSIS

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

	Sales SR 000		Operating Income / (loss) SR 000		Net assets SR 000	
	2010	2009	**2010**	2009	**2010**	2009
Air conditioner industry	**1,636,218**	1,576,504	**149,399**	102,225	**296,005**	246,776
Steel industry	**2,209,302**	2,451,339	**116,324**	246,804	**780,006**	781,513
Glass & fibreglass	**172,892**	176,569	**30,070**	33,223	**116,509**	102,980
Head office	**-**	-	**(8,364)**	(12,821)	**96,380**	64,202
	4,018,412	4,204,412	**287,429**	369,431	**1,288,900**	1,195,471

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

	Sales SR 000		Operating income (loss) SR 000	
	2010	2009	**2010**	2009
Saudi Arabia:				
Local sales	**2,392,382**	2,669,700	**199,865**	212,470
Export sales	**755,583**	843,009	**55,593**	74,844
Total sales of Saudi Arabia	**3,147,965**	3,512,709	**255,458**	287,314
Other Asian countries	**495,126**	277,723	**6,303**	(7,470)
Africa	**304,721**	359,224	**22,365**	89,565
Europe	**70,600**	54,756	**3,303**	22
	4,018,412	4,204,412	**287,429**	369,431

24. EARNING PER SHARE

In view of the capitalization of retained earnings to increase the share capital of the parent company, the calculation of earnings per share for all years presented has been adjusted retrospectively.

25. CONTINGENT LIABILITIES

The group's bankers have issued, on behalf of the group, performance bonds in respect of certain contracts amounting to SR 672 million (2009: SR 551 million).

26. CAPITAL COMMITMENTS

The directors have approved future capital expenditure amounting to SR 72 million (2009: SR 70 million).

The group has total commitment for the unpaid authorized capital of approximately SR 17.1 million (2009: SR 17.1 million) relating to the investment in Zamil Steel Industries, Abu Dhabi LLC.

27. RISK MANAGEMENT

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

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The group limits its liquidity risk by ensuring that bank facilities are available. The group's terms of sales require amounts to be paid within 90 to 150 days of the date of sale. Trade payables are normally settled within 60 to 90 days of the date of purchase.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. As a result of investment in foreign countries, the consolidated balance sheet can be affected by movements in the exchange rate of Saudi Riyals against currencies of these foreign countries.

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

28. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The group's financial assets consist of cash and cash equivalents, receivables and amounts due from related parties and affiliates and its financial liabilities consist of murabah, short term loans, term loans, notes and payables and amounts due to related parties and affiliates.

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

29. COMPARATIVE FIGURES

Certain figures for 2009 have been reclassified to conform with the presentation in the current year.