

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and Its Subsidiaries

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UN-AUDITED) AND AUDITORS' LIMITED REVIEW REPORT
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2016**

**LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF
ZAMIL INDUSTRIAL INVESTMENT COMPANY (A SAUDI JOINT STOCK COMPANY) AND ITS
SUBSIDIARIES**

Scope of limited review:

We have reviewed the accompanying interim consolidated balance sheet of Zamil Industrial Investment Company, a Saudi Joint Stock Company ("the Company") and its Subsidiaries (collectively referred to as the "Group") as at 31 March 2016 and the related interim consolidated statement of income and the interim consolidated statement of cash flows for the three months period then ended. These interim consolidated financial statements have been prepared by the Group's management and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion of limited review:

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young



Abdulaziz Saud Alshabaibi
Certified Public Accountant
Registration No. 339

10 Rajab 1437H
17 April 2016

Al Khobar

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

INTERIM CONSOLIDATED BALANCE SHEET (UN-AUDITED)

As at 31 March 2016

	<i>Notes</i>	<i>2016</i> <i>SR'000'</i>	<i>2015</i> <i>SR'000'</i>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		444,397	473,996
Accounts receivable		1,748,301	1,566,533
Advances, other receivables and prepayments		226,074	187,548
Value of work executed in excess of billings		248,643	343,229
Amount due from related parties		41,709	62,807
Current portion of net investment in finance lease		20,115	19,281
Inventories		1,693,938	1,642,796
TOTAL CURRENT ASSETS		4,423,177	4,296,190
NON-CURRENT ASSETS			
Property, plant and equipment		1,385,365	1,414,305
Net investments in finance lease		400,601	420,717
Investments in associates		95,396	98,459
Available for sale investments		89,496	110,336
Amounts due from related parties		33,850	33,850
Deferred charges		9,258	20,699
Goodwill		80,126	110,706
TOTAL NON-CURRENT ASSETS		2,094,092	2,209,072
TOTAL ASSETS		6,517,269	6,505,262
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable, accruals and provisions		1,060,629	988,207
Billings in excess of value of work executed		77,396	78,244
Advances from customers		270,040	335,752
Amounts due to related parties		25,493	30,267
Zakat and income tax provision		62,780	50,279
Short term loans		1,997,684	2,073,938
Current portion of term loans		139,350	147,839
TOTAL CURRENT LIABILITIES		3,633,372	3,704,526
NON-CURRENT LIABILITIES			
Term loans		325,996	397,129
Employees' terminal benefits		355,229	326,572
TOTAL NON-CURRENT LIABILITIES		681,225	723,701
TOTAL LIABILITIES		4,314,597	4,428,227
SHAREHOLDERS' EQUITY			
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY			
Share capital	4	600,000	600,000
Statutory reserve		280,471	261,543
Retained earnings		1,006,446	906,691
Foreign currency translation reserve		(15,491)	(12,125)
Proposed dividends		60,000	60,000
		1,931,426	1,816,109
NON-CONTROLLING INTERESTS		271,246	260,926
TOTAL SHAREHOLDERS' EQUITY		2,202,672	2,077,035
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,517,269	6,505,262

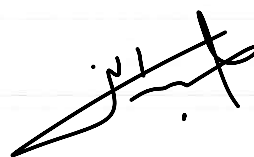
The attached notes 1 to 9 form part of these interim consolidated financial statements.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
 INTERIM CONSOLIDATED STATEMENT OF INCOME (UN-AUDITED)

For the three months period ended 31 March 2016

	<i>Notes</i>	<i>Three months period ended 31 March 2016 SR'000'</i>	<i>Three months period ended 31 March 2015 SR'000'</i>
REVENUE			
Sales		1,055,511	1,073,968
Contracts revenue		178,136	184,981
DIRECT COSTS			
Cost of sales		(803,436)	(798,175)
Contracts cost		(149,282)	(155,350)
GROSS PROFIT		280,929	305,424
EXPENSES			
Selling and distribution		(103,290)	(119,859)
General and administration		(100,175)	(88,072)
INCOME FROM MAIN OPERATIONS		77,464	97,493
Other income, net		1,626	4,950
Financial charges		(19,909)	(16,720)
INCOME BEFORE SHARE IN RESULTS OF ASSOCIATES, NON-CONTROLLING INTERESTS AND ZAKAT AND INCOME		59,181	85,723
Share in results of associates		2,056	1,961
INCOME BEFORE NON-CONTROLLING INTERESTS, ZAKAT AND INCOME TAX		61,237	87,684
Non-controlling interests		(5,368)	(5,711)
INCOME BEFORE ZAKAT AND INCOME TAX		55,869	81,973
Zakat and income tax		(4,459)	(8,239)
NET INCOME FOR THE PERIOD		51,410	73,734
EARNINGS PER SHARE FOR THE PERIOD			
Attributable to main operations		1.29	1.62
Attributable to net income		0.86	1.23
Weighted average number of shares outstanding (thousand shares)		60,000	60,000


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Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UN-AUDITED)

For the three months period ended 31 March 2016

	<i>Three months period ended</i>	
	<i>31 March</i>	
	<i>2016</i>	<i>2015</i>
	<i>SR'000'</i>	<i>SR'000'</i>
OPERATING ACTIVITIES		
Income before non-controlling interests and zakat and income tax	61,237	87,684
Adjustments for:		
Depreciation	39,137	37,649
Amortisation of other intangible assets	488	227
Employees' terminal benefits, net	(1,329)	5,641
Gains on disposal of property, plant and equipment	(78)	-
Share in results of associates	(2,056)	(1,961)
Gains on disposal of investments in associates	-	418
	<u>97,399</u>	<u>129,658</u>
Changes in operating assets and liabilities:		
Accounts receivable	(102,358)	(8,357)
Advances, other receivables and prepayments	10,019	59,415
Value of work executed in excess of billings	35,366	(13,108)
Amount due from related parties	(3,058)	(832)
Net investment in finance lease	4,898	4,694
Inventories	70,569	(45,525)
Accounts payable, accruals and provisions	21,311	(15,551)
Billings in excess of value of work executed	(17,480)	(2,482)
Advances from customers	(42,845)	26,931
Amounts due to related parties	4,161	4,506
	<u>77,982</u>	<u>139,349</u>
Cash from operations	77,982	139,349
Zakat and income tax paid	(400)	(1,597)
	<u>77,582</u>	<u>137,752</u>
Net cash from operating activities	77,582	137,752
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(37,777)	(36,467)
Proceeds from disposal of property, plant and equipment	319	41
Deferred charges	(3,349)	-
	<u>(40,807)</u>	<u>(36,426)</u>
Net cash used in investing activities	(40,807)	(36,426)
FINANCING ACTIVITIES		
Movement in short term loans	41,537	80,490
Movement in term loans	12,747	(17,852)
	<u>54,284</u>	<u>62,638</u>
Net cash from financing activities	54,284	62,638
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	<u>91,059</u>	<u>163,964</u>
Cash and cash equivalents at the beginning of the period	355,424	309,721
Movement in foreign currency translation reserve, net	(2,086)	311
	<u>(2,086)</u>	<u>311</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>444,397</u></u>	<u><u>473,996</u></u>


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Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

At 31 March 2016

1 ORGANIZATION AND ACTIVITIES

Zamil Industrial Investment Company ("the Company") is converted to a Saudi Joint Stock Company in accordance with the Ministerial Resolution number 407 dated 14 Rabi' I 1419H (corresponding to 8 July 1998). Prior to that the Company was operating as a limited liability company under the name of Zamil Steel Buildings Company Limited. The Company is registered in the Kingdom of Saudi Arabia under Commercial Registration number 2050004215 dated 19 Ramadan 1396H (corresponding to 14 September 1976) with the following branches in the Kingdom of Saudi Arabia:

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

The Company has investment in the following subsidiaries:

	<i>Effective Ownership</i>	
	<i>2016</i>	<i>2015</i>
Universal Building System limited - Jersey	-	100%
Zamil Steel Holding Company - Saudi Arabia	100%	100%
-Zamil Steel Pre-Engineered Building Company - Saudi Arabia	100%	100%
-Zamil Structural Steel Company - Saudi Arabia	100%	100%
-Zamil Tower and Galvanizing Company - Saudi Arabia	100%	100%
-Zamil Process Equipment Company - Saudi Arabia	100%	100%
Zamil Air Conditioners and Household Appliances - Saudi Arabia	100%	100%
Zamil Central Air Conditioners - Saudi Arabia	100%	100%
Zamil Air Conditioners Holding Company - Saudi Arabia	100%	100%
Zamil Air Conditioners and Refrigeration Services - Saudi Arabia	100%	100%
Zamil Steel Building Company - Egypt	100%	100%
Zamil Steel Buildings (Shanghai) Company Limited - China	100%	100%
Cooling Europe Holdings GmbH - Austria	100%	100%
Clima Tech air conditioners GmbH - Austria	100%	100%
Zamil Steel Buildings India Private Limited - India	100%	100%
Zamil Steel Engineering India Private Limited - India	100%	100%
Arabian Stonewool Insulation Company - Saudi Arabia	100%	100%
Ikhtebare Company Limited - Saudi Arabia	100%	100%
Zamil Energy Services Company ("ZESCO") - Saudi Arabia	100%	100%
Zamil Industrial Investment Company - UAE	100%	100%
Zamil Steel Industries Abu Dhabi (LLC) - UAE	100%	100%
Zamil Steel Buildings (Thailand) Co. Limited - Thailand	100%	100%
Al Zamil Steel Construction Company - Saudi Arabia	100%	100%
Zamil Structural Steel Company - Egypt	100%	100%
Zamil Construction India PVT. Ltd. - India	100%	100%
Buildings Components Solutions Company - Saudi Arabia	100%	100%
Zamil Information Technology Global Private Limited - India	100%	100%
Zamil Higher Institute for Industrial Training Company - Saudi Arabia	100%	100%
Second Insulation Company Limited - Saudi Arabia	100%	100%
Eastern District Cooling Company Limited - Saudi Arabia	100%	100%
Zamil Air Conditioners India Private Limited ("ZAC") - India	100%	100%
Saudi Central Energy Company Limited	100%	100%
Zamil Industrial Investment Company Asia Pte. Ltd - Singapore	100%	100%
Al Zamil for Inspection and Maintenance of Industrial Projects Company Ltd.- Saudi Arabia	100%	100%
Zamil Steel Buildings Vietnam Company Limited	92.27%	92.27%

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) (continued)

At 31 March 2016

1 ORGANIZATION AND ACTIVITIES (continued)

	<i>Effective Ownership</i>	
	<i>Percentage</i>	
	2016	2015
Gulf Insulation Group ("GIG")	51%	51%
-Saudi Rockwool Factory Company Ltd. ("SRWF") - Saudi Arabia	51%	51%
-First Insulation Company Ltd. ("FIC") - Saudi Arabia	51%	51%
-Arabian Fiberglass Insulation Co. Ltd - Saudi Arabia ("AFICO")	51%	51%
Saudi Preinsulated Pipes Industries Company Limited ("SPPI")	51%	51%
Middle East Air Conditioners Company Limited - Saudi Arabia	51%	51%
Zamil Hudson Company Limited - Saudi Arabia	50%	50%
Petro-Chem Zamil Company Limited - Saudi Arabia	50%	50%

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

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

2 BASIS OF PREPARATION

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted by the Group in preparing its interim consolidated financial statements, summarized below, are consistent with those used in the preparation of the last audited consolidated financial statements for the year ended 31 December 2015. The significant accounting policies adopted are as follows:

Accounting convention

The interim consolidated financial statements are prepared under the historical cost convention.

Use of estimates

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

At 31 March 2016

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Accounts receivable

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

Inventories

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

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

Net investment in finance lease

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

Available for sale investments

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

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

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

Investments in associates

The Group's investment in an associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Property, plant and equipment /depreciation

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

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

At 31 March 2016

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Other intangible assets /amortisation

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

Business combination and goodwill

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

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

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

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

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

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

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

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

Impairment of non-current assets

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

Impairment and uncollectibility of financial assets

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

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the interim consolidated statement of income.
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flow discounted at the current market rate of return for a similar financial asset.

At 31 March 2016

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts payable and accruals

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

Provisions

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

Loans and borrowings

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

Prepaid financial charges

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

Warranties

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

Zakat and income tax

Zakat and income tax is provided for in the interim consolidated financial statements based on the period share of the estimated zakat and income tax for the whole year. Differences between the estimated zakat and income tax for the interim period and the zakat and income tax provision that is calculated based on the detailed calculation of the zakat and income tax at year end are accounted for at that time.

Employees' terminal benefits

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

Statutory reserve

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

Revenue

Sales

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

Contract revenue

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

At 31 March 2016

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continue)

Finance income

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

Expenses

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

Foreign currencies

Transaction

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

Translation

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

Segmental reporting

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

Earnings per share

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

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

Operating lease

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

Fair values

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

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on

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

Derivative financial instruments

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

At 31 March 2016

4 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company amounting to SR 600 million (2015: SR 600 million) is divided into 60 million shares of SR 10 each (2015: 60 million shares of SR 10 each).

5 EARNING PER SHARE

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

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

6 CONTINGENT LIABILITIES

The Group's bankers have issued performance and payments guarantees, on behalf of the Group, amounting to SR 1,136 million (2015: SR 953 million).

7 STATUS OF ZAKAT ASSESSMENTS

Zakat assessments have been agreed with the Department of Zakat and Income Tax ("the DZIT") up to 2012. The Zakat declarations for the years 2013 and 2014 are still under the DZIT's review.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) (continued)
 At 31 March 2016

8 SEGMENTAL INFORMATION

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

Business segments

	For the three months period ended 31 March 2016 (SR '000')				
	Air conditioner industry	Steel industry	Insulation	Head office and others	Total
Revenue	507,082	640,117	85,221	1,227	1,233,647
Income /(loss) from main operations	38,154	32,844	10,369	(3,903)	77,464
Net assets	781,639	807,785	134,374	207,628	1,931,426

	For the three months period ended 31 March 2015 (SR '000')				
	Air conditioner industry	Steel industry	Insulation	Head office and others	Total
Revenue	547,186	628,684	81,118	1,961	1,258,949
Income /(loss) from main operations	49,812	42,730	8,969	(4,018)	97,493
Net assets	627,424	778,747	128,175	281,763	1,816,109

Geographical segments

	For the three months period ended 31 March 2016 (SR '000')				
	Saudi Arabia	Other Asian countries	Africa	Europe	Total
Revenue	1,023,292	134,515	75,160	680	1,233,647
Income from main operations	75,279	(1,678)	4,131	(268)	77,464

	For the three months period ended 31 March 2015 (SR '000')				
	Saudi Arabia	Other Asian countries	Africa	Europe	Total
Revenue	1,021,771	142,278	92,998	1,902	1,258,949
Income from main operations	85,919	4,173	7,374	27	97,493

9 COMPARATIVE FIGURES

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