

**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 YEAR ENDED 31 DECEMBER 2016

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

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 December 2016 and the related interim consolidated statement of income for three months period and the year then ended and the interim consolidated statement of cash flows for the year 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). A 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:

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 Alshubaihi
Certified Public Accountant
Registration No. 339

20 Rabi' II 1438 H
18 January 2017

Al Khobar



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

INTERIM CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	<i>Notes</i>	<i>2016 (Unaudited) SR'000</i>	<i>2015 (Audited) SR'000</i>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		259,397	355,424
Accounts receivable		1,876,378	1,645,943
Advances, other receivables and prepayments		154,138	236,093
Value of work executed in excess of billings		246,894	284,009
Amounts due from related parties		39,547	38,651
Current portion of net investment in finance lease		20,765	19,904
Inventories		1,468,613	1,764,507
TOTAL CURRENT ASSETS		4,065,732	4,344,531
NON-CURRENT ASSETS			
Property, plant and equipment		1,291,722	1,390,010
Investments in associates		90,903	93,340
Available for sale investments		89,496	89,496
Net investments in finance lease		384,946	405,710
Amounts due from related parties		33,850	33,850
Other intangible assets		9,508	6,397
Goodwill		80,126	80,126
TOTAL NON-CURRENT ASSETS		1,980,551	2,098,929
TOTAL ASSETS		6,046,283	6,443,460
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable, accruals and provisions		769,998	1,040,229
Billings in excess of value of work executed		58,235	94,876
Advances from customers		219,637	312,885
Amounts due to related parties		20,156	21,332
Zakat and income tax provision		59,506	58,721
Short term loans		2,058,553	1,956,147
Current portion of term loans		140,888	138,350
TOTAL CURRENT LIABILITIES		3,326,973	3,622,540
NON-CURRENT LIABILITIES			
Term loans		195,445	313,338
Employees' terminal benefits		330,161	356,558
TOTAL NON-CURRENT LIABILITIES		525,606	669,896
TOTAL LIABILITIES		3,852,579	4,292,436
SHAREHOLDERS' EQUITY			
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY			
Share capital	4	600,000	600,000
Statutory reserve		300,000	280,471
Retained earnings		1,074,929	955,036
Foreign currency translation reserve		(35,484)	(10,361)
Proposed dividends	5	-	60,000
		1,939,445	1,885,146
NON-CONTROLLING INTERESTS		254,259	265,878
TOTAL SHAREHOLDERS' EQUITY		2,193,704	2,151,024
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,046,283	6,443,460

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

For the three months period and the year ended 31 December 2016

	<i>For the three months period ended 31 December</i>		<i>For the year ended 31 December</i>	
	<i>2016 SR'000 (Unaudited)</i>	<i>2015 SR'000 (Unaudited)</i>	<i>2016 SR'000 (Unaudited)</i>	<i>2015 SR'000 (Audited)</i>
REVENUE				
Sales	848,941	1,155,656	3,955,401	4,599,875
Contracts revenue	345,890	292,327	977,798	870,221
Finance lease income	4,339	4,549	17,674	18,499
	1,199,170	1,452,532	4,950,873	5,488,595
DIRECT COSTS				
Cost of sales	(589,508)	(807,941)	(2,946,806)	(3,426,227)
Contracts cost	(260,307)	(270,026)	(775,136)	(757,085)
	(849,815)	(1,077,967)	(3,721,942)	(4,183,312)
GROSS PROFIT	349,355	374,565	1,228,931	1,305,283
EXPENSES				
Selling and distribution	(129,393)	(112,556)	(448,013)	(456,996)
General and administration	(131,438)	(135,446)	(444,514)	(440,768)
INCOME FROM MAIN OPERATIONS	88,524	126,563	336,404	407,519
Other income, net	20,359	7,401	30,478	32,479
Financial charges	(32,358)	(13,052)	(98,498)	(68,514)
Impairment loss on non-current assets	(31,319)	(51,420)	(31,319)	(51,420)
Other intangible assets written off	-	(1,169)	-	(14,428)
INCOME BEFORE SHARE IN RESULTS OF ASSOCIATES, NON- CONTROLLING INTERESTS, ZAKAT AND INCOME TAX	45,206	68,323	237,065	305,636
Share in results of associates	(4,046)	(5,306)	(2,437)	(3,158)
INCOME BEFORE NON- CONTROLLING INTERESTS, ZAKAT AND INCOME TAX	41,160	63,017	234,628	302,478
Non-controlling interests	25,395	2,940	9,831	(11,125)
INCOME BEFORE ZAKAT AND INCOME TAX	66,555	65,957	244,459	291,353
Zakat and income tax	(7,819)	(8,503)	(27,245)	(28,346)
Derecognition of deferred tax assets	-	-	(16,192)	-
NET INCOME FOR THE PERIOD/YEAR	58,736	57,454	201,022	263,007
EARNINGS PER SHARE FOR THE PERIOD/YEAR				
Attributable to main operations	1.48	2.11	5.61	6.79
Attributable to net income	0.98	0.96	3.35	4.38
Weighted average number of shares outstanding (thousand shares)	60,000	60,000	60,000	60,000

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 CASH FLOWS

For the year ended 31 December 2016

	<i>For the year ended 31 December</i>	
	<i>2016</i>	<i>2015</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
OPERATING ACTIVITIES		
Income before share of non-controlling interests, zakat and income tax	234,628	302,478
Adjustments for:		
Depreciation	158,998	161,381
Amortization of other intangible assets	1,606	675
Amortization of prepaid financial charges	2,735	1,385
Employees' terminal benefits, net	(26,397)	35,627
Impairment loss on goodwill	-	30,580
Impairment loss on available for sale investments	-	20,840
Other intangible assets written off	-	14,428
Financial charges	98,498	68,514
Impairment loss on property, plant and equipment	31,319	-
Loss (gain) on disposal of property, plant and equipment	818	(922)
Share in results of associates	2,437	3,158
	<u>504,642</u>	<u>638,144</u>
Changes in operating assets and liabilities:		
Net investment in finance lease	19,903	19,078
Accounts receivable	(230,435)	(101,078)
Advances, other receivables and prepayments	65,763	10,870
Value of work executed in excess of billings	37,115	46,112
Amounts due from related parties	(896)	20,172
Inventories	295,894	(167,236)
Accounts payable, accruals and provisions	(262,811)	54,737
Billings in excess of value of work executed	(36,641)	14,150
Advances from customers	(93,248)	4,064
Amounts due to related parties	(1,176)	(1,277)
Cash from operations	<u>298,110</u>	<u>537,736</u>
Financial charges paid	(98,498)	(68,514)
Zakat and income tax paid	(26,460)	(22,241)
Net cash from operating activities	<u>173,152</u>	<u>446,981</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(104,827)	(136,614)
Proceeds from disposal of property, plant and equipment	2,960	2,129
Additions to other intangible assets	(4,717)	(574)
Net cash used in investing activities	<u>(106,584)</u>	<u>(135,059)</u>
FINANCING ACTIVITIES		
Dividends paid	(120,000)	(120,000)
Net movement in short term loans	102,406	(37,301)
Net movement in term loans	(118,090)	(110,075)
Net movement in non-controlling interests	(1,788)	(462)
Net cash used in financing activities	<u>(137,472)</u>	<u>(267,838)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(70,904)</u>	<u>44,084</u>
Cash and cash equivalents at the beginning of the year	355,424	309,721
Movement in foreign currency translation reserve, net	(25,123)	1,619
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>259,397</u>	<u>355,424</u>
NON-CASH TRANSACTIONS:		
Derecognition of deferred tax assets	16,192	-
Directors remuneration accrued during the year	1,600	2,000

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 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 1419 H (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 1396 H (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 1401 H	Jeddah
2050033721	1 Safar 1419 H	Dammam
1010037370	25 Rabi' II 1401 H	Riyadh
2050064535	10 Rabi' II 1430 H	Dammam
3550015950	14 Rabi' I 1421 H	Dammam
4031039954	23 Jumada' I 1421 H	Dammam

The Company has investment in the following subsidiaries:

	<i>Effective ownership percentage</i>	
	<i>2016</i>	<i>2015</i>
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%
Ikhteban 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) Company Limited - Thailand	100%	100%
Al Zamil Steel Construction Company - Saudi Arabia	100%	100%
Zamil Structural Steel Company - Egypt	100%	100%
Zamil Construction India (Pvt.) Limited - 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. Limited - 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 (continued)

At 31 December 2016

1 ORGANIZATION AND ACTIVITIES (continued)	Effective Ownership	
	Percentage	
	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.

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

3 SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements have been prepared in accordance with the Standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). 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 and modified to include the measurement of available for sale investments at fair value.

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.

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.

At 31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 been passed to the company and are stated at cost.

Net investment in finance lease

Where the Group determines a long term cooling water arrangement to be or to contain a lease and where the Group transfers substantially all the risks and benefits incidental to ownership of the leased item, the arrangement is considered as a finance lease. A finance lease is presented as net investment in finance lease and is recognised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments received are apportioned between finance income and the reduction of the net investment in finance lease so as to achieve a constant rate of commission on the remaining balance of the asset.

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.

Other intangible assets /amortisation

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

At 31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

At 31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 payable 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 interim consolidated balance sheet date in accordance with the employees' contracts of employment.

Statutory reserve

As required by Saudi Arabian Regulations for Companies, the Company must transfer 10% of its income 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 loss making contracts, a provision is made for foreseeable losses in full.

Finance income

Finance income is recognized over the period of the installments on a systematic basis based on the internal rate of return.

Expenses

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

At 31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions

Transactions in foreign currencies are recorded in Saudi Riyals ("SR") 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 interim consolidated balance sheet date. All differences are taken to the interim consolidated statement of income.

Translation

Financial statements of foreign operations are translated into 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 year by the weighted average of number of shares outstanding during the year.

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

Operating lease

Lease is classified as operating lease whenever the terms of the lease do not transfer substantially all the risks and reward of ownership to the lessee. Operating lease payments are recognized as an expense in the 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 expected discounted cash flows and other relevant factors. Cost is considered to be the fair value where there is no reliable fair value information available for such investments.

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 DIVIDENDS

On 22 Shawwal 1437 H (corresponding to 27 July 2016), the Board of Directors, resolved to distribute interim cash dividends for the year 2016 of SR 1 per share (totaling to SR 60 Million). Dividends have been fully paid during the year.

On 11 Rajab 1437 H (corresponding to 18 April 2016), The Annual General Assembly approved the payment of final cash dividends for the year 2015 of SR 1 per share (totaling to SR 60 million). Dividends have been fully paid during the year.

On 4 Shawal 1436 H (corresponding to 20 July 2015), the Board of Directors, resolved to distribute interim cash dividends for the year 2015 of SR 1 per share (totaling to SR 60 Million). Dividends have been fully paid during 2015.

On 20 Jumada' II 1436 H (corresponding to 9 April 2015), The Annual General Assembly approved the payment of final cash dividends for the year 2014 of SR 1 per share (totaling to SR 60 million). Dividends have been fully paid during 2015.

At 31 December 2016

6 CONTINGENT LIABILITIES

The Group's bankers have issued performance and payments guarantees, on behalf of the Group, amounting to SR 999 million (2015: SR 1,160 million).

7 ZAKAT AND INCOME TAX

Zakat assessments in respect of the Group where a combined zakat return was filed, have been agreed with the General Authority for Zakat and Tax ("the GAZT") up to 2013. The Zakat declarations for the years 2014 and 2015 are still under the GAZT's review.

Subsidiaries operating inside the Kingdom of Saudi Arabia which are not effectively wholly owned by Zamil Industrial Investment Company, the parent company, file their individual zakat and tax returns with the GAZT in Saudi Arabia. The zakat and tax assessments status vary among these subsidiaries. The Company recognises additional zakat and tax liabilities, if any, that may become due upon finalisation of the zakat and tax assessments raised by GAZT for the respective subsidiary, in the year in which assessments are finalised.

The Company's subsidiaries operating outside the Kingdom of Saudi Arabia are subject to income tax, which is computed based on the management understanding of the income tax regulations enforced in their respective countries. Additional liabilities are recorded for any additional tax liabilities which may arise upon finalisation of tax assessments.

During the year, the GAZT has issued a circular requiring the listed companies to determine Zakat and income tax based on effective ownership interest reflected in the register of shareholders as per Tadawul at year end. Zakat and income tax estimate is provided on an estimated basis and charged to the interim consolidated statement of income. The zakat charge is computed at 2.5% on the zakat base or adjusted net income attributable to shareholders from Gulf Cooperation Council Citizens ("GCC"), whichever is higher while income tax relating to the Non- GCC' shareholders is provided based on share of taxable income at 20%. Any difference in the estimate is recorded when the assessments is finalised.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 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, Income (loss) and net assets by business and geographical segments, are as follows:

Business segments

For the year ended and as at 31 December 2016 (SR '000)

	Air conditioner industry	Steel industry	Insulation industry	Head office and others	Total
Revenue	2,226,840	2,387,613	330,041	6,379	4,950,873
Income (loss) from main operations	178,652	137,356	41,647	(21,251)	336,404
Net assets	790,488	696,277	131,127	321,553	1,939,445

For the year ended and as at 31 December 2015 (SR '000)

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

Geographical segments

For the year ended and as at 31 December 2016 (SR '000)

	Saudi Arabia	Other Asian countries	Africa	Europe	Total
Revenue	4,102,272	568,143	276,821	3,637	4,950,873
Income (loss) from main operations	345,866	(6,872)	(2,399)	(191)	336,404

For the year ended and as at 31 December 2015 (SR '000)

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

9 COMPARATIVE FIGURES

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