Annual
Report
2014

Zamilindustrial

Köichi Sato

Köichi Sato is an internationally recognized Japanese graphic designer known for creating otherworldly, metaphysical design statements that evoke deep-seated feelings. He is widely renowned for pursuing “Modern Japanese Style” in his designs, using softly glowing blends of color, richly colored and modulated calligraphy and stylized illustrations to create poetic visual statements. This approach led to the invention of “Haigra”, a word uniting haiku and graphic, a new, visual way of presenting haiku, Japan’s shortest poetry form, for which Köichi Sato is credited.

Over the years, he has been the recipient of many international awards, including first prize in a poster competition sponsored by The Museum of Modern Art in the USA and further awards at competitions in Brno, Lahti, Helsinki, Warsaw, Essen, Moscow, Hong Kong and Toyoma. His work is today exhibited in twenty museums across the globe. For the past twenty years he has been a Professor at Tama Art University in Tokyo.

The picture that appears on the cover of this Annual Report is taken from a poster that is part of Köichi Sato’s “Haigra Project”. We are exceedingly grateful to Mr. Sato for permitting us to use his pebbles design and especially for allowing us to add the watercolor wash.

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

zamilindustrial.com

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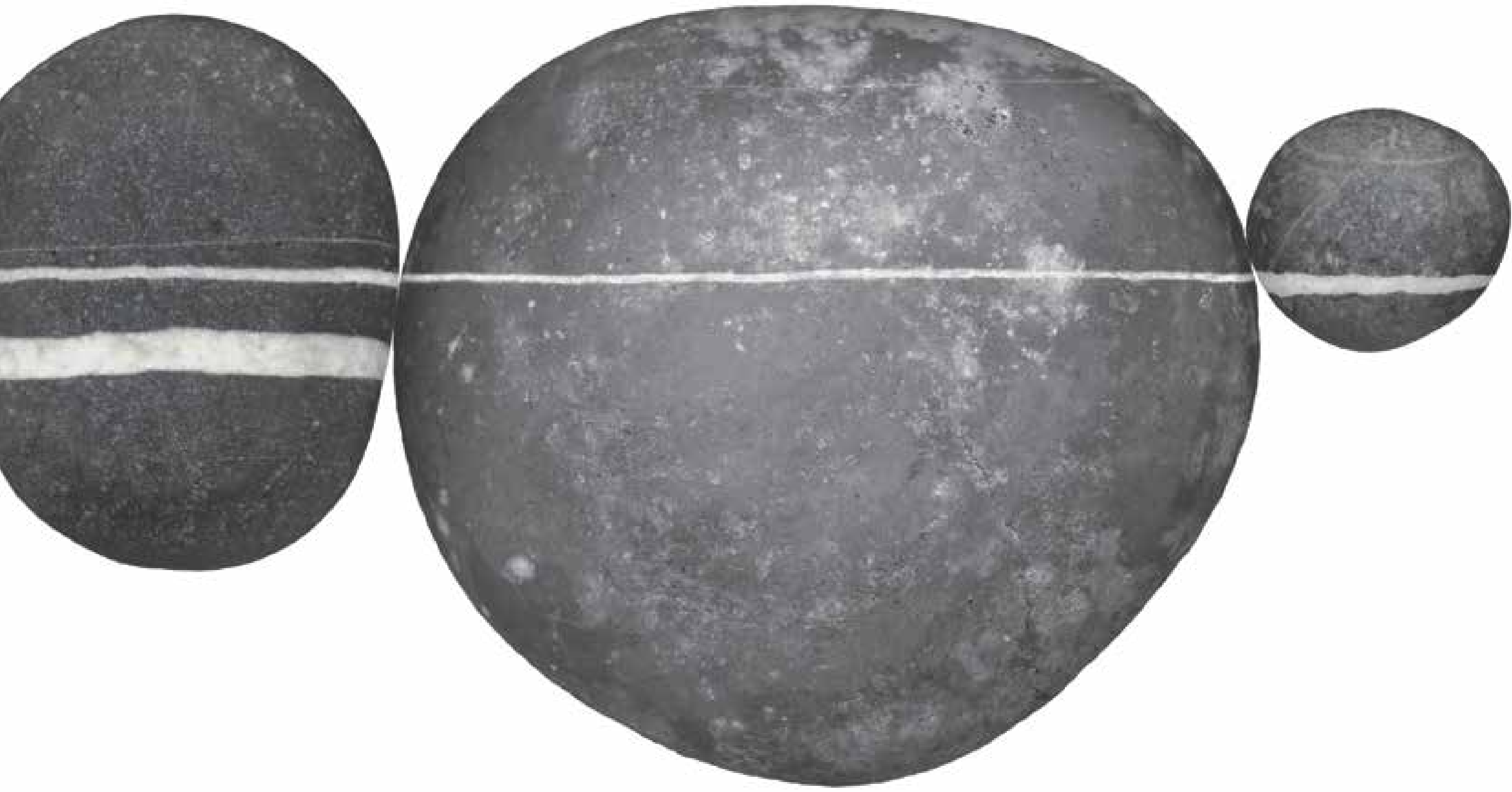
Performance Highlights



- **Revenues** in 2014 at SAR 5,455.4 million (USD 1,454.8 million) registered a year-on-year growth of 0.8% compared with SAR 5,413.9 million (USD 1,443.7 million) recorded in 2013.

- **Gross Profit** in 2014 at SAR 1,334.1 million (USD 355.8 million) has grown by 2.1% as compared to SAR 1,306.8 million (USD 348.5 million) in 2013.

- **Operating Income** is higher by 0.8% at SAR 405.9 million (USD 108.2 million) in 2014 as compared to SAR 402.7 million (USD 107.4 million) in 2013.

- **Net Income** after Zakat in 2014 amounted to SAR 260.3 million (USD 69.4 million) as compared with SAR 235.4 million (USD 62.8 million), an increase of 10.6% over the same period in 2013.

- **Earnings per share** (from net income) grew to SAR 4.34 (USD 1.16) in 2014 from SAR 3.92 (USD 1.1) in 2013.

- **Stockholders' Equity** has grown by 6.1% to SAR 1,997.7 million (USD 532.7 million) in 2014 from SAR 1,880.7 million (USD 501.5 million) in 2013.

The improved performance in 2014 can be attributed to core segments of the air-conditioning and Steel sectors performing with improved efficiency, profits arising from investments and the absence of an adverse currency impact from the Indian Rupee and Egyptian Pound as had been the case in 2013.

Zamil Industrial is a truly global company with home markets in Southeast Asia, the Indian subcontinent, North Africa, Saudi Arabia and the GCC. It is a key supplier of a comprehensive range of products and solutions for use within the construction industry.

Board of Directors

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

Mission Statement & Core Values

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

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

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.

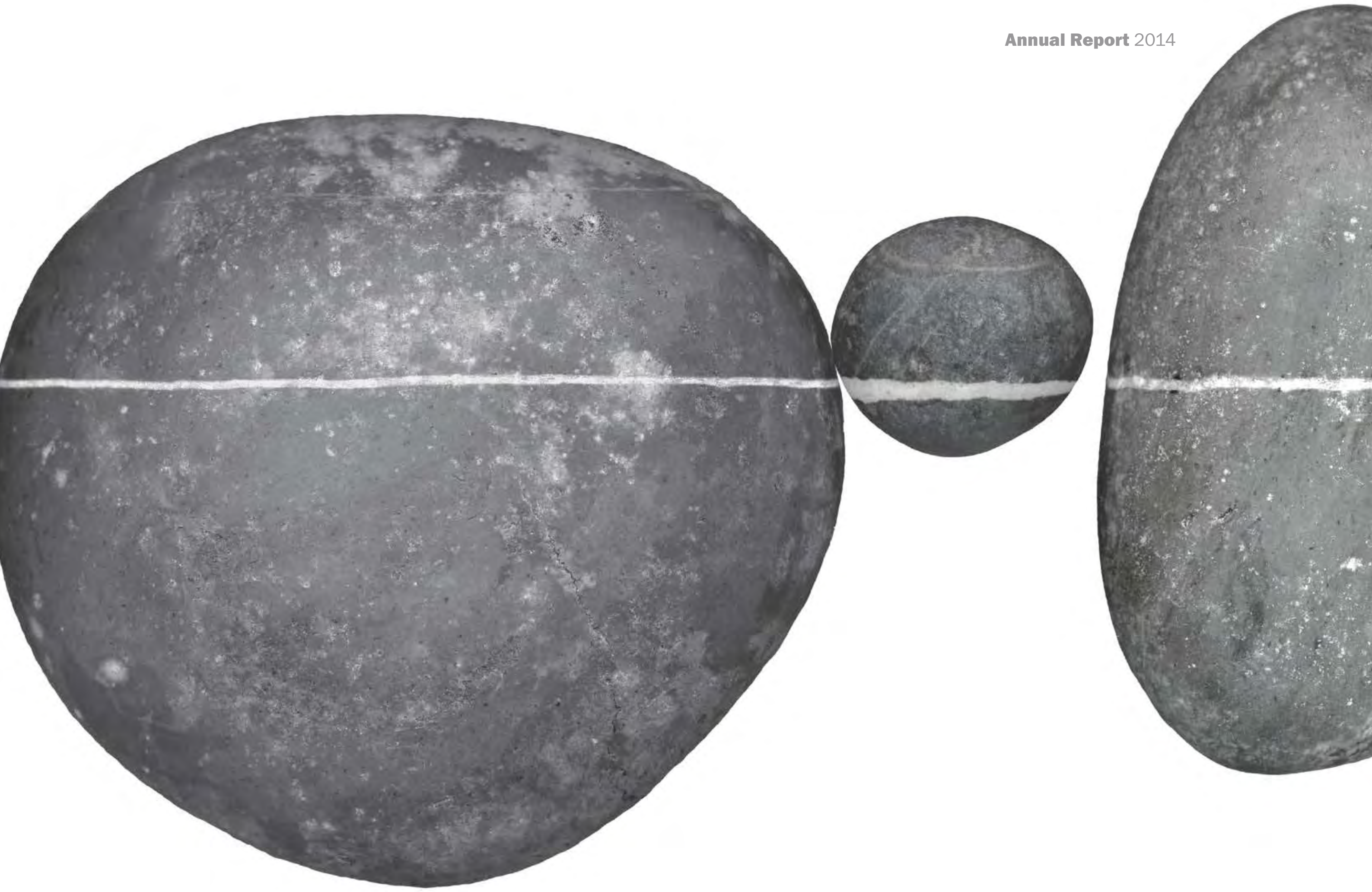
Community & Prosperity – We believe in mutual prosperity. We aspire to thrive in business while bringing progress and prosperity to our own people and the communities where we operate. Our culture, our ideas, our practices, our environmental concern and our teamwork inspire us to create superior values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

Business Profile

“We recognize that faith, leadership and integrity are essential to the operation of businesses that consistently deliver value to all stakeholders

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

At Zamil Industrial, we recognize that faith, leadership and integrity are essential to the operation of businesses that consistently deliver value to all stakeholders. They also guide our growth as we identify emerging opportunities and convert them into profitable business ventures around the globe.



From the beginning, our founders recognized the need for diversification in the Saudi Arabian economy. They also knew how to fulfill this need by achieving growth through joint venture partnerships and by entering new markets.

Today, we serve clients in more than 90 countries worldwide and operate businesses in four major industrial sectors – Steel, HVAC, Insulation Materials and Concrete. We are majority shareholders in joint venture companies and own several subsidiaries. Our companies employ more than 14,000 people in 55 countries and obtain around 30% of our revenue from countries other than Saudi Arabia.

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

The Zamil Industrial Product Portfolio

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

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Products and services include:

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

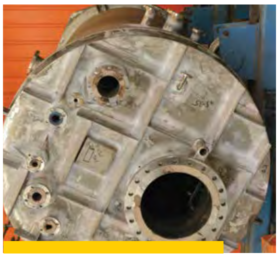
At Zamil Industrial, we provide customers with Total Building Solutions. Through our strength and diversity, we've built the capacity to operate as a single-source provider, capable of meeting complete project needs from engineering and materials to climate control.

Shared vision, mission and values unite our diverse business interests.

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

Corporate Shared Services: the streamlined approach to success

Zamil Industrial businesses are proud to offer clients the benefits of our Total Building Solutions philosophy. Developed through a process of strategically planned growth and acquisition, the company has reached a point where it can satisfy virtually any need a customer may have for quality building products or services at a consistent level of excellence.
To ensure the efficient operation of Total Building Solutions, the company is engaged in the development and support of group-wide strategic initiatives, including its **Corporate**



Shared Services platform, which consolidates and integrates the finance, internal audit, business development, strategy and performance planning, administration and human resources, information technology, corporate communications, and legal affairs functions of all Zamil Industrial companies. Major components include:

- A commitment to new product development through the use of advanced technology and the consolidation of IT environments
- Maintenance of the highest quality-assurance standards, reflected in a range of international quality accreditations
- The continual expansion and development of international markets, while maintaining leadership in the home market of Saudi Arabia
- Strategic selection of acquisitions to complement the strengths of other sector businesses
- Strategic alliances with selected multinational companies to increase international presence and market share
- Investment in training and career development for employees

Our administrative functions are centralized to ensure continuity and a streamlined approach in our expanding global market. Corporate Shared Services provide a single, convenient contact point for active and potential customers, furnishes powerful technological resources to smaller companies under our umbrella and provides all employees with assistance and opportunities for career development.

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

Share Trading

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

“The company has grown and prospered based on the founders’ visions of leadership through creation of value

Chairman's Letter

Dear Shareholder,

It gives me immense pleasure, on behalf of your Board of Directors, to share with you the Annual Report of Zamil Industrial Investment Company (Zamil Industrial) for the financial year ended 31st December 2014.

It is most rewarding to be able to report a further improvement in your company's performance when compared to a year earlier. This performance can be attributed to core segments in the air-conditioning and Steel sectors performing well with improved operating efficiency. In addition, other income as well as profits from investments grew, with the net result of increased revenues and profits.

Such an achievement is commendable in the light of the global economic environment in which your company operated throughout the year. Now, after several years of recession, glimmers of recovery began to appear toward the end of the year in developed markets.

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In our domestic market of Saudi Arabia, the economy remained stable and despite the marked decrease in the oil price, the government has sustained its investments in new projects and remained a driving force of the economy, enabling your company's portfolio of businesses and services to achieve growth. Elsewhere, by the year's end, economies of both India and Egypt, as well as some countries in Africa, were beginning to see early signs of growth, while in Southeast Asia, economic weakness prevails. Even where there is the start of new economic growth and the potential for more commercial opportunities, competition remains strong and margins remain under pressure.

I am also pleased to report that your company generated gross revenues of SAR 5,455.4 million (USD 1,454.8 million) in 2014, which is 0.8% higher than SAR 5,413.9 million (USD 1,443.7 million) recorded a year earlier.

Net profit after Zakat was SAR 260.3 million (USD 69.4 million), as compared with SAR 235.4 million (USD 62.8 million) in 2013. Earnings per share amounted to SAR 4.34 (USD 1.16) in 2014 compared to SAR 3.92 (USD 1.1) in 2013. Stockholders' Equity on 31st December 2014 at SAR 1,997.7 million (USD 532.7 million) was higher by 6.1% over the previous year-end.

‘Looking ahead to 2015, we remain optimistic about the continued growth of your company

The Board is recommending distribution of a final cash dividend of SAR 1 per share for the year. This, together with the interim dividend of SAR 1.00 paid in August 2014, makes a total of SAR 2 per share for the year. The proposed dividend payout of SAR 120 million amounts to 20% of the company’s paid-up capital. Shareholders’ approval of the final dividend will be sought at the Annual General Meeting in 2015.

Our continued success is a reflection of the high esteem in which your company’s products and services are held in all the markets in which we operate. We enjoy strong recognition as leaders in all our areas of activity from HVAC products and services, steel buildings, transmission and telecommunications towers and process equipment to insulation materials and precast buildings.

Over the years, our success has undoubtedly been enhanced by our initiative and ability to respond positively to the needs of our customers, as well as our effectiveness in generating innovative ideas, and 2014 was no exception. As our business has grown, we have been continually broadening the scope of our activities, investing in new manufacturing facilities and enlarging our workforce according to its demands.

Vital to our success has been the consistent, high quality performance of each member of our staff, no matter the role, especially in terms of professionalism and commitment to your company. We, in turn, seek to be a caring employer, ensuring at all times that all relevant health and safety standards are respected and practiced for the ultimate benefit of all employees and their families.

Worthy of mention is our focus on the employment and development of nationals in each of the countries where we operate. We strive to provide comprehensive training that enhances employee knowledge, skills, and professional capabilities, while also encouraging loyalty and enabling them to forge a career path within your company. We are particularly proud of our ability to attract an increasing number of women into our workforce in Saudi Arabia.

Your company has always endeavored to address its corporate social responsibilities, especially among its employees and in the communities where we operate. We participate enthusiastically in social and charitable activities and encourage every employee to become involved as well. Furthermore, we remain conscious of the need to protect the environment, to minimize and to recycle waste and promote energy conservation in all our activities.

Chairman's Letter
(continued)

Robust corporate governance is integral to your company's core values, and it is ensured by the policy guidelines and verification procedures of our internal audit department. Our Code of Conduct ensures that we operate ethically at all times, meeting the highest international standards of transparency and disclosure throughout our businesses. In this we strictly adhere to all the recommendations of the Capital Market Authority to ensure a credible environment for our investors.

Looking ahead to 2015, we remain optimistic about the continued growth of your company. Despite the budgeted deficit in 2015, on account of low oil prices, the government of Saudi Arabia remains intent in its pursuit of national economic development. Your company is highly respected across the Kingdom and in other markets and is strategically well positioned to capitalize on the available business opportunities.

Finally, I would like to thank all our stakeholders – the Board of Directors, shareholders, management and staff, customers and suppliers, for your continued support. Over the years we have proven our ability to succeed together and together we can ensure continued success and prosperity of your company.

Khalid Abdullah Al Zamil
Chairman of the Board

> Our company’s success over many years is mainly attributed to the skill, knowledge and loyalty of all our employees

Chief Executive Officer’s Letter

Dear Shareholders and Colleagues,

Zamil Industrial’s businesses have had another successful year in 2014. Our success and growth comes from our strategic intent to continuously innovate and diversify while maintaining organic growth in our portfolio of goods and services. Our success is also due to our agility and ability to adapt to the changing market dynamics and to reposition the business model, ensuring strategic control over the value chain.

Global economic growth in 2014 has seen mixed results; while some nations are laying the foundation for recovery and growth, most countries are still dealing with the legacies of economic crisis. The USA has recovered in terms of growth and Emerging Economies posted growth similar to last year. The Euro Zone, Russia and the Commonwealth of Independent States (CIS) are struggling and going through geo-political tensions. The World Bank and the International Monetary Fund are projecting increased growth in 2015 for economies in both developed and developing countries. On the commodities front, basic metal prices have dropped and we expect the prices to remain low in 2015.

Despite an anticipated budget deficit for the first time in many years, Saudi Arabia's budget for 2015 reflects continued spending in pursuit of national development. For the coming twelve months, total expenditure in Saudi Arabia is budgeted at SAR 860 billion (USD 229.3 billion), of which approximately SAR 185 billion (USD 49.3 billion) will be spent on the construction and renovation of schools, colleges, universities, sports centers, hospitals and medical centers, thereby providing ample opportunities in the construction sector for our company.

Although Saudi Arabia remains our prime market, we are expanding in the developing economies. Egypt is now returning to greater stability since the elections early in 2014 and we have expanded our reach in other countries in Africa due to our presence there. Following the mid-year elections in India, there is increased confidence on strong economic growth over the coming five years. The markets in Southeast Asia continue to be robust.

We are always conscious of the need to protect the environment and to conserve energy in all our manufacturing processes. As for energy conservation, we have sought assiduously to reduce energy consumption across our businesses in Saudi Arabia and have worked closely with government agencies in helping to enhance energy efficiency Kingdom-wide.

Our company's success over many years is mainly attributed to the skill, knowledge and loyalty of all our employees. Today, we employ more than 14,000 people in our businesses worldwide and we provide high quality training on an ongoing basis, an investment that has proven most rewarding.

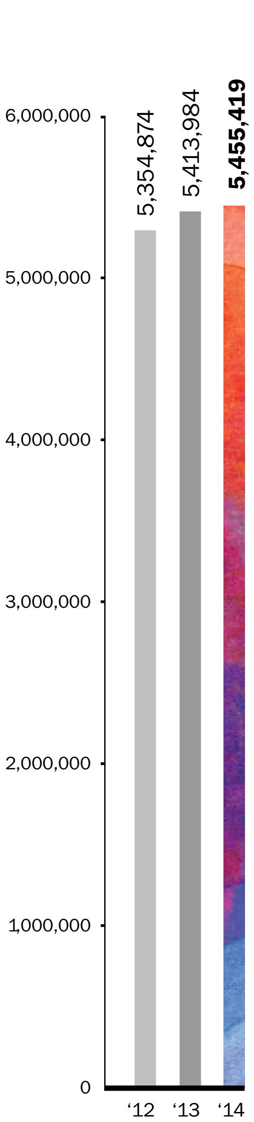
We are also very proud of our role in employing Saudi women, to whom we also provide training and development opportunities. Our technical training institute provides a wide range of internationally accredited training programs, placing it on a par with its peers in the USA and United Kingdom in terms of awarding qualifications.

We are equally dedicated to our corporate social responsibilities, ensuring the health and safety of all our employees and their families as well as those in need of assistance in the communities where we work. In Saudi Arabia, we became a key founder and contributor to the establishment of the Qaderoon Business Disability Network and continued our activities with Eta'am, the Saudi Food Bank. We also maintained our support to "Endeavor KSA", an organization that seeks to support budding entrepreneurs. But our social activities are not solely performed in the Kingdom, as our businesses and employees also participate actively in social and charitable activities in Egypt, India and Vietnam.

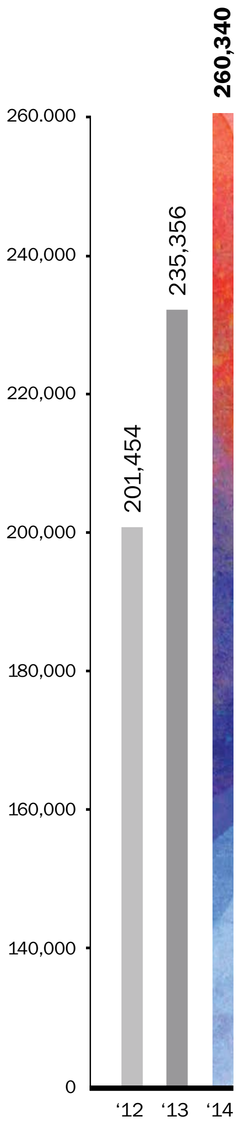
At the end of the year, all our businesses carried a healthy order backlog, instilling confidence that 2015 will be yet another successful year for Zamil Industrial. Finally, I convey my gratitude and sincere thanks to all our stakeholders for the ongoing support and participation that enabled us to deliver excellent results in 2014.

Abdulla Mohammed Al Zamil
Chief Executive Officer

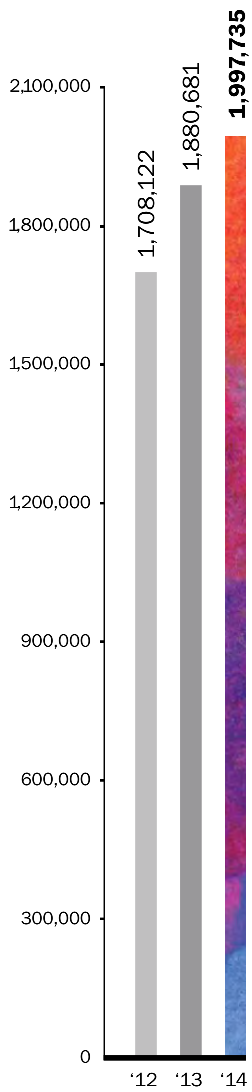
Financial Highlights



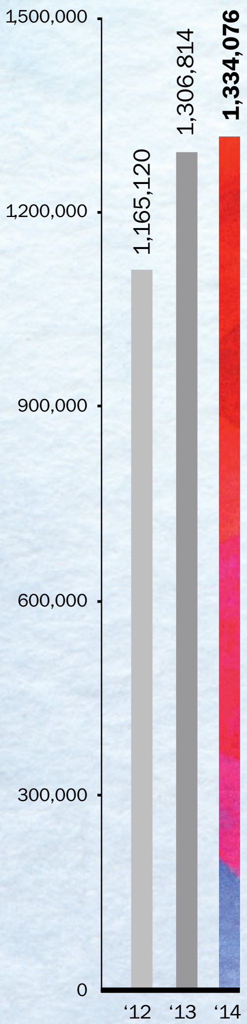
Revenues
SAR 000s



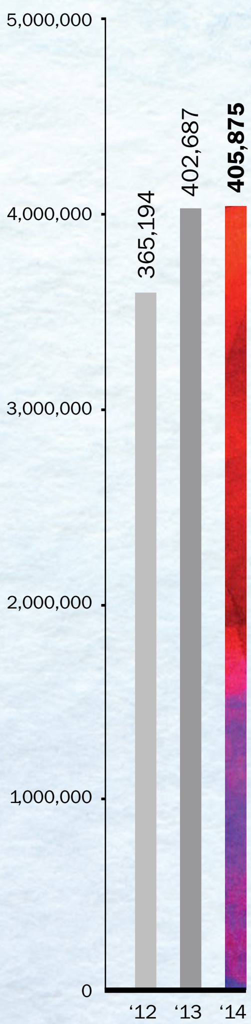
Net Income
SAR 000s



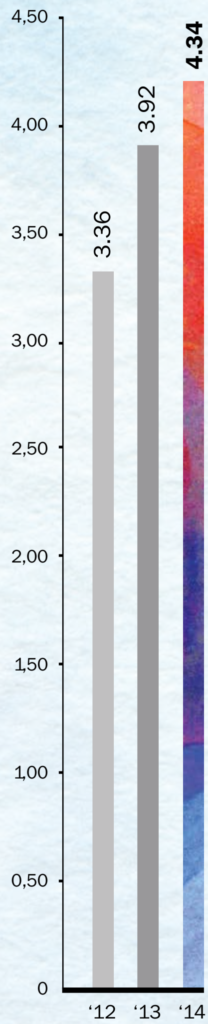
Stockholders' Equity
SAR 000s



Gross Profit
SAR 000s



Operating Income
SAR 000s



Earnings per Share
SAR

Business Operations Review

• Steel Sector

All the divisions within the steel sector of Zamil Industrial are owned by Zamil Steel Holding Co. Ltd., a Saudi Arabian registered Limited Liability Company. Zamil Steel comprises two business groups: Building Products Group (BPG) and Industrial Steel Products Group (ISPG). Together, these groups offer a comprehensive range of products and services across a wide geographical area from the Middle East to Africa, the Indian subcontinent and Southeast Asia.

Zamil Steel works closely with other Zamil Industrial businesses, maintaining a highly successful level of performance in some of the world's most competitive markets. By maintaining flexibility and adaptability in responding to customer needs, Zamil Steel has experienced continued growth in 2014.

Building Products Group (BPG)

During 2014, BPG has again performed well in what have been constrained circumstances of slow economic growth in many of the countries where they seek to generate business. The group's overall revenues grew by 1.1% and net profits grew by 24.3% over the previous year.

BPG has established an excellent reputation over many years for its wide range of steel products that are manufactured to the highest international standards in or close to major markets. Saudi Arabia, as its home market, remains a prime destination, but various units within BPG have obtained business in many locations in the GCC, the wider Middle East, and across Africa, Pakistan, Thailand and the Philippines.

Zamil Steel Pre-engineered Buildings Company (PEB-GCC) has succeeded in winning orders both in its home market and in twelve other countries, including other GCC countries, Armenia, Brazil, the wider Middle East, Pakistan and Bangladesh.

‘ Zamil Steel works closely with other Zamil Industrial businesses, maintaining a highly successful level of performance in some of the world's most competitive markets

A substantial proportion of PEB-GCC's business has been conducted in Saudi Arabia, where Zamil Steel's Ras Al Khaimah operations attained registration with Saudi Aramco and the Dammam factory achieved registration with the Royal Saudi Air Force, King Abdullah City of Science and Technology and Schlumberger, in addition to those registrations attained in the past. Accreditation was also received from outside the Kingdom from Qatar Petrochemical Company (QAPCO), Emirates National Oil Company (ENOC) and the GCC Standardization Organization.

> 'A substantial proportion of PEB-GCC's business has been conducted in Saudi Arabia

Within the Kingdom, major orders for both pre-engineered buildings and joists were booked during the year with Al-Qahtani Pipe Coating Industries in Dammam, which was the largest of the orders; Hamed Al-Ghaziri for a shopping mall in Jeddah and the power plant in Ras Az Zawr; a production facility for Rowad Global; and for the Emdad Project Phase 2 in Dammam. The largest overseas order was received from the Wood Panel Board Manufacturing Unit in Pakistan. Significant export orders received from Middle Eastern countries include Pine Tree Buildings in Jordan, Farm Warehouses and the El Etihad Steel Factory in Qatar.

ISO renewal and surveillance audits were carried out during 2014, and PEB-GCC's ISO 9001:2008 certification was renewed for an additional three years. Compliance certification was also obtained for completion of preventative safety conditions from the Federal UAE Civil Defense and a No Objection Certificate was obtained from the

Government of Ras Al Khaimah for fulfilling the Environment Protection and Development Authority's requirements.

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Building Component Solutions Company Ltd. (BCOMS) has continued to increase both production and export sales in line with the growth seen in its customer base. Some major projects won or commissioned during the year included four projects for Mabani Steel LLC, and for Saudi Skype Limited, Al Shahba General Contracting and Arabian Contracting.

Of major importance during 2014 was receipt of the Certificate of Approval from Warrington Certification, through the Exova Warrington Mideast laboratory in the UK, for BCOMS Rockwool sandwich panels. The panels were approved for fire safety in compliance with BS EN 1363-1:2012. The Exova Warrington Mideast certification scheme ensures that products tested and assessed are manufactured according to stringent quality control standards.

Zamil Steel Construction Company Ltd., had a most successful year, with revenues rising year-on-year as a result of increased attention to turnkey assignment

The program also establishes a passive fire protection product tracing system that uses manufacturing records and coded labels and that links the product to the manufacturer from buildings and construction sites located anywhere in the world.

Another major milestone reached by BCOMS was the receipt of ISO 14001:2004 certification, which is considered the most important standard within the ISO 14000 series.

Zamil Steel Construction Company Ltd., had a most successful year, with revenues rising year-on-year as a result of increased attention to turnkey assignments, addressing new business segments to gain additional customer accounts and building a reputation for timeliness, accuracy and quality.

Early in the year, the company successfully completed the engineering, supply and erection of several customized pre-engineered steel buildings for the GCC Interconnection Authority in Jubail. This project was the very first complete EPC turnkey venture for the company, and an additional project was commissioned for the Sadara Chemical Company.

In the fourth quarter, Zamil Steel Construction was awarded two further turnkey projects: both for the design, fabrication, supply and erection of pre-engineered steel buildings. The first came from Zamil Alpla Plastics Middle East Co. in Dammam and the second from the Saudi Electric Supply Co. for the Tamimi warehouse project, also in Dammam.

• Steel Sector
(continued)

In pursuing its activities, Zamil Steel Construction received two annual Health, Safety and Environment awards, from the Sadara and Petrokemya projects, including a certificate of appreciation for the Sadara project and a letter of appreciation and safety award from ABV Rock for the YASREF Project MC-5. Throughout the year, the company sought to maintain a safe and productive environment at all sites.

Zamil Steel Egypt enjoyed a successful year in a challenging environment. Business has continued to grow both in its home market and overseas. In Egypt, major orders have been booked for a factory building in Alexandria; a building for El Sisi Stores of 2,700 metric tons (MT); Airport Terminal 3 at Cairo Airport for 2,700 MT of steel works; and wheat stores in nineteen locations in the country amounting to 9,000 MT of steel and sheeting.

Zamil Steel Egypt has booked numerous orders for factories, warehouses, shopping malls and even a paper mill, at African locations as widespread across the continent as Angola, Tanzania, Ghana, Libya, Ethiopia, Togo, Sudan, Mozambique, Nigeria and Djibouti. The major order booked during 2014 was for military buildings in Algeria.

To meet the growing demand, the company's new factory in Sadat City commenced production, with expansion already underway to increase the factory's capacity from 25,000 MT a year to 36,000 MT annually.

Despite the prevailing circumstances, a number of major projects were booked or completed by Zamil Steel Vietnam at home and overseas during the year

• Steel Sector
(continued)

Zamil Steel India has achieved a most successful year not only by securing orders but also by increasing efficiency, better shop floor planning, ensuring a consistent load on plant and also venturing into structural steel fabrication. The total order booking for the year amounted to 43,000 MT. The project awarded from Technip India of 6,148 MT in 2014 is the largest in the history of Zamil Steel India.

Other major projects for Zamil Steel India came from MARS International India for 3,540 MT for a factory; CPF India Pvt. Ltd. for 3,300 MT for a warehouse; Larson and Toubro Ltd. for 2,490 MT for a C17 aircraft hangar; Baosteel India Company Pvt. Ltd. for 2,170 MT for a factory; and Mahindra Vehicle Manufacturers Ltd. for 2,110 MT for a manufacturing facility. Additional orders were accepted for factories and warehouses, a spinning mill, hostel building and a power plant.

Overseas orders were booked in Sri Lanka for factories, a warehouse and a gymnasium, in Angola for an agricultural training school and elsewhere in Africa for a gas power plant.

In conjunction with the company’s marketing activities, Zamil Steel India participated successfully in three major exhibitions in 2014, all of which were construction focused: ACETECH 2014 in Kolkata; the 13th Constro International Fair in Pune; and The Big 5 Construct India 2014 in Mumbai.

In support of operations, Zamil Steel India obtained both ISO-14001 and OHSAS-18001 certifications during the year.

Zamil Steel Vietnam has faced a difficult year as the level of business at home and abroad has declined. Of particular note is the decline in export volume due to market slowdowns in Indonesia and Malaysia and political instability in Thailand, albeit business in the Philippines met budgeted targets. In this environment, production decreased compared to a year earlier, while exports were 10% lower than in 2013.

Despite the prevailing circumstances, a number of major projects were booked or completed at home and overseas during the year. In Vietnam, the largest project was the Nghi Son Refinery and Petrochemical Complex, while other major orders included the Formosa Power Plant and a factory for Posco E&C Vietnam Co.; a BTL Extension for Badsha Textiles and a warehouse for

> “Overall, Zamil Steel Vietnam has successfully supplied more than 6,000 buildings in Vietnam and elsewhere in the Asia Pacific region in the seventeen years since it was established

the Diana Company. Outside Vietnam, the largest project was the Shell Grease Manufacturing Plant (GMP) project in Singapore for Punj Lloyd Pte. Ltd.

Other major projects included a mega-mall and a warehouse in the Philippines, a factory in Cambodia, a shopping mall in Kota Kinabalu in Malaysia, and the Jakarta Integration base project for Schlumberger in Indonesia. Other bookings, including those for factories, warehouses, university buildings and aircraft hangars, were received from Laos, Thailand, the Philippines, Singapore and Malaysia.

Overall, Zamil Steel Vietnam has successfully supplied more than 6,000 buildings in Vietnam and elsewhere in the Asia Pacific region in the seventeen years since it was established as a joint

venture between Zamil Industrial and the Japanese Mitsui Group.

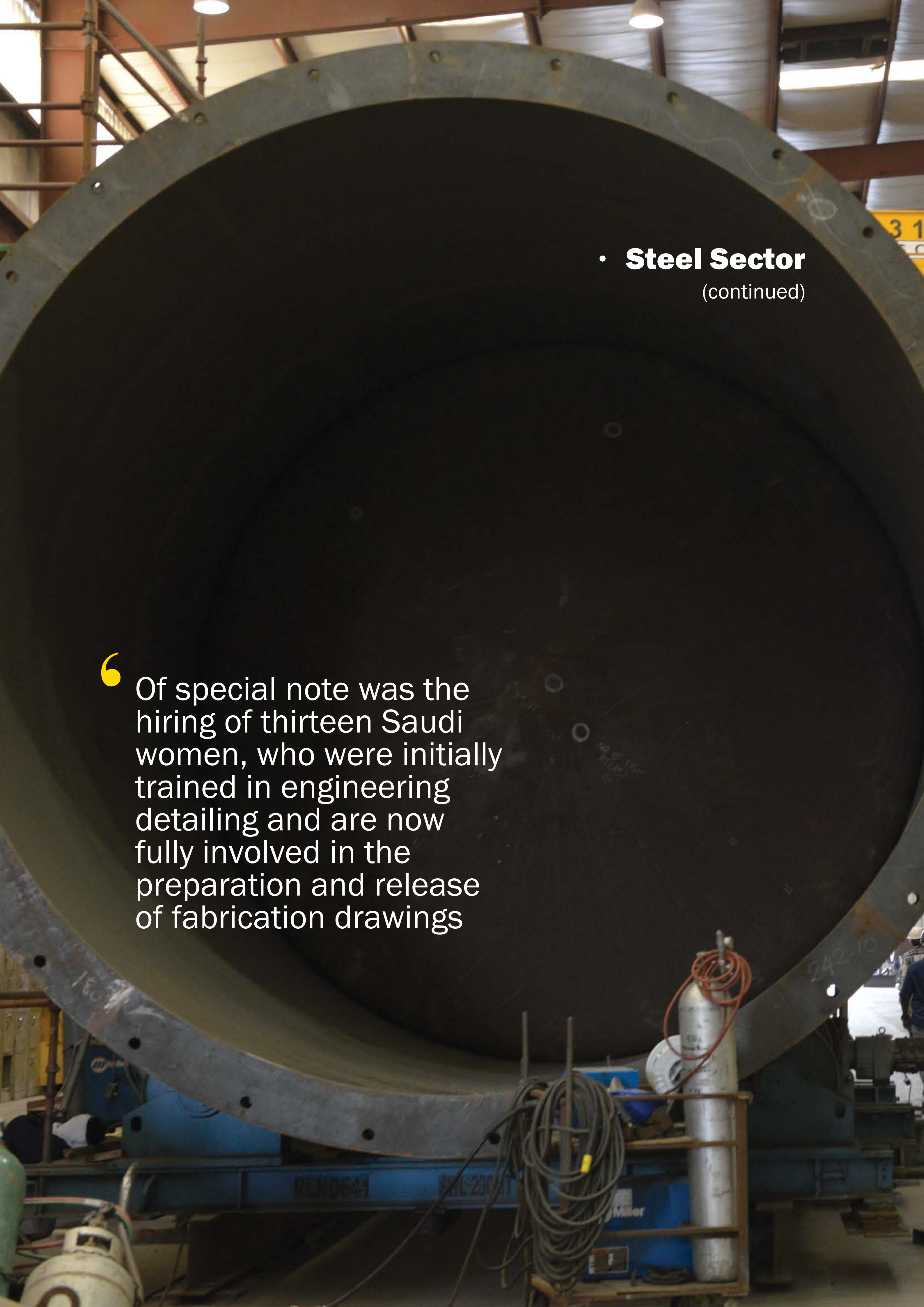
Integral to the business unit's marketing activities was attendance at a technical seminar in Cambodia and exhibitions in Manila and Bangkok. Moreover, a detailed market study was carried out to enhance the company's knowledge of Indonesia and to understand its position with regard to market challenges and potential, and to identify initiatives for positioning the company within the country to become a market leader.

This year, Zamil Steel Vietnam also updated its certifications. These included ISO 9001:2008 for product quality; OHSAS 18000 for labor safety and hygiene; and ISO 14000 for environmental management.

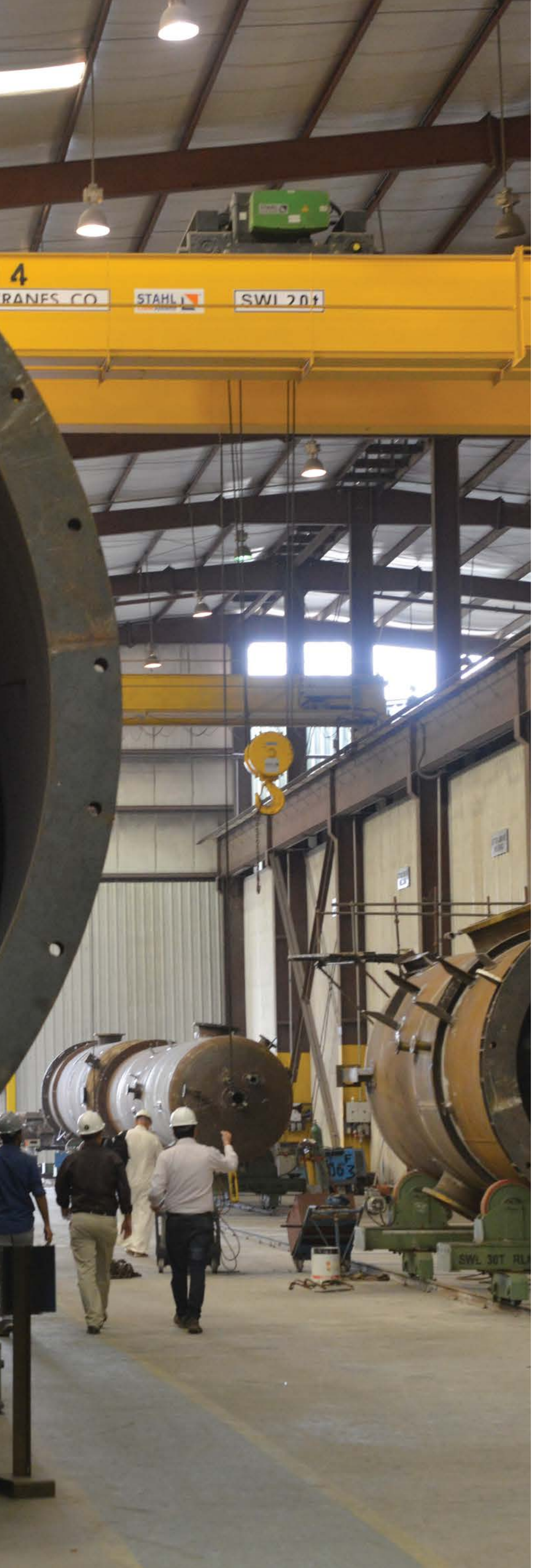
Additionally, the company received the Trusted Quality Supplier Certificate and became an accredited structural steel fabricator from the Singapore Structural Steel Society – category S1 for the Dongnai factory and S2 for the Hanoi factory.

Industrial Steel Products Group (ISPG)

In 2014, ISPG's revenues declined by about 16% over the same period last year. However, revenue from Towers and Galvanizing (T&G) business rose by 18.9% year-on-year, while ZIMIPCO saw a substantial increase of 19.9% in its revenue over the previous year.



“Of special note was the hiring of thirteen Saudi women, who were initially trained in engineering detailing and are now fully involved in the preparation and release of fabrication drawings



Zamil Structural Steel Company Ltd., formerly known as the Structural Steel Division, produces and supplies structural steel, pipe racks, platforms, and pipe supports to oil and gas, petrochemical and mineral industries. The company has had a year of mixed results but towards end of the year, both the order book and market visibility had improved.

During 2014, major orders were booked for the full range of products for Saudi Aramco for the Jazan and Ras Tanura Refineries; for SNC-Lavalin and Intecsa for Ma'aden's Umm Wu'al Phosphate Project; for Intecsa/Dragados for the Ibn Sina Polyoxymethylene Project; for Prainsa Saudi Arabia for the Cement Grinding Unit at the Eastern Province Cement Company; for Petrofac Saudi Arabia for the Petrorabigh Rabigh II Project; and for Tecnidas Reunidas for the Jazan Integrated Gasification Combined Cycle (IGCC) complex utilities and common area project. The company also received an order from SK Engineering and Construction Co. for the Kuwait Oil Company project in Kuwait.

Projects successfully completed included the Yanbu Aramco Sinopec Refining Company (YASREF) refinery project; four packages for the Wasit Gas Plant; the Ma'aden Calciner Project; the Petrochemical Conversion Company Nylon 6.6 plant project, a joint venture between Saudi Industrial Investment Group and Arabian Chevron Phillips; the Ma'aden Mine and Refinery Project at the industrial complex in Ras Al-Khair; the Sadara Tank Farm; Riyadh PP-12 Project; the Petrokemya ABS project; and the Sadara Aromatics Plant project.

now fully involved in the preparation and release of fabrication drawings.

During the year, Zamil Structural Steel Company participated in the 16th Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC); the 7th International Petroleum Technology Conference and Exhibition in Qatar; and the Oman International Oil & Gas West Asia Exhibition (OGWA). Zamil Process Equipment Co. also participated in the first two of these events.

During the year, Zamil Structural Steel Company renewed its international certifications comprising ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007. Prior to awarding the Jazan IGCC package to the company, Tecnicas Reunidas audited and approved the facility for its Welding and Connection Design Capability for Seismic Compliance.

Zamil Towers and Galvanizing Company Ltd., formerly Towers and Galvanizing Division, has supplied approximately one million MT of lattice steel structures since 1985, including exports to 35 different countries around the globe. Today, the company continues to succeed in winning orders at home and overseas.

Major orders registered in Saudi Arabia included lattice towers and gantries for Middle East Engineering and Development Co. Ltd. for the 380KV overhead transmission line between Tabuk and Tabarjal; lattice transmission line towers and gantries for AETCON and AlSharif Group for overhead transmission lines between Tabarjal, Waad Al-Shamal and Qurayyat for Saudi Electricity Company; Telecom Towers for the Zain Reload Project and for the Saudi Telecom Company; and a family of towers for Saudi Electricity's HVDC 500HV project.

Revenue from Towers and Galvanizing (T&G) business rose by 18.9% year-on-year, while ZIMIPCO saw a substantial increase of 19.9% in its revenue over the previous year

Of special note was the hiring of thirteen Saudi women, who were initially trained in engineering detailing and are

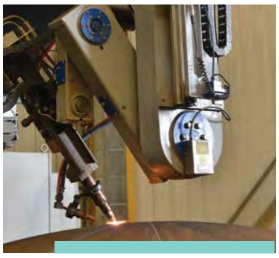
• Steel Sector
(continued)

Overseas orders during the year included transmission towers in the UAE and Oman and for 115KV S/C Towers for the Energy Development Corporation's (EDC's) Burgos Wind Farm project in the Philippines.

Completed projects included towers, gantry structures and other support structures for the Saudi Electricity Company through ABB Saudi Arabia; overhead line towers for National Grid Saudi Arabia, double and single circuit gantries and towers for the Ash Shuqaiq IWPP to Al Khadra substation for Saudi Services for Electro-Mechanic Works Co.; and transmission towers for EDC's Burgos in the Philippines and for the Kenya Power and Lighting Company/ Siemens in Kenya.

Zamil Process Equipment Company Ltd., formerly Process Equipment Division, has completed another productive year.

The company received major orders that included steam drums for the Saudi Electricity Company; shop tanks and ducting for Intecsa/Ma'aden at Ras Al-Khair; cladded steel vessels for Tecnicas/Saudi Aramco for the Jazan Refinery; scrubber and other vessels, heat exchangers and bins for Ma'aden at Umm Wu'al; and 36 high, medium and low pressure steam drums for Saudi Electricity Company's Combined Cycle Power Plants Project outside Riyadh.



Completed projects include the fabrication and delivery of two "digestion flash vessels" to Ma'aden Bauxite and Alumina Co. at Ras Al-Khair; a "butane product bullet" to Wasit NGL Fractionation Project; a heavy wall thick "Inlet Separator" for Saudi Aramco's Wasit Inlet and Gas Processing Project, which was the first heavy wall cladded horizontal vessel designed and manufactured in the Middle East; and two reactors with stringent fabrication tolerances to Kemya's Saudi Elastomers facility in Jubail.

During the year, Zamil Process Equipment signed a memorandum of understanding with French companies Areva and EDF in relation to procurement for the Saudi Nuclear Energy Program of King Abdullah City for Atomic and Renewable Energy, and installed a CNC Robotic Cutting Machine in the fabrication shop to speed-up the manufacturing of small and medium scale pressure vessels.

Integral to the company's marketing activities was participation in the "Exhibition and Symposium of Projects with Distinction in the Era of the Custodian of the Two Holy Mosques," held in Riyadh under the sponsorship of Zamil Industrial, and in the Water, Electricity and Power Generation Exhibition in Dammam, as well as in Abu Dhabi and Qatar alongside Zamil Structural Steel Company.

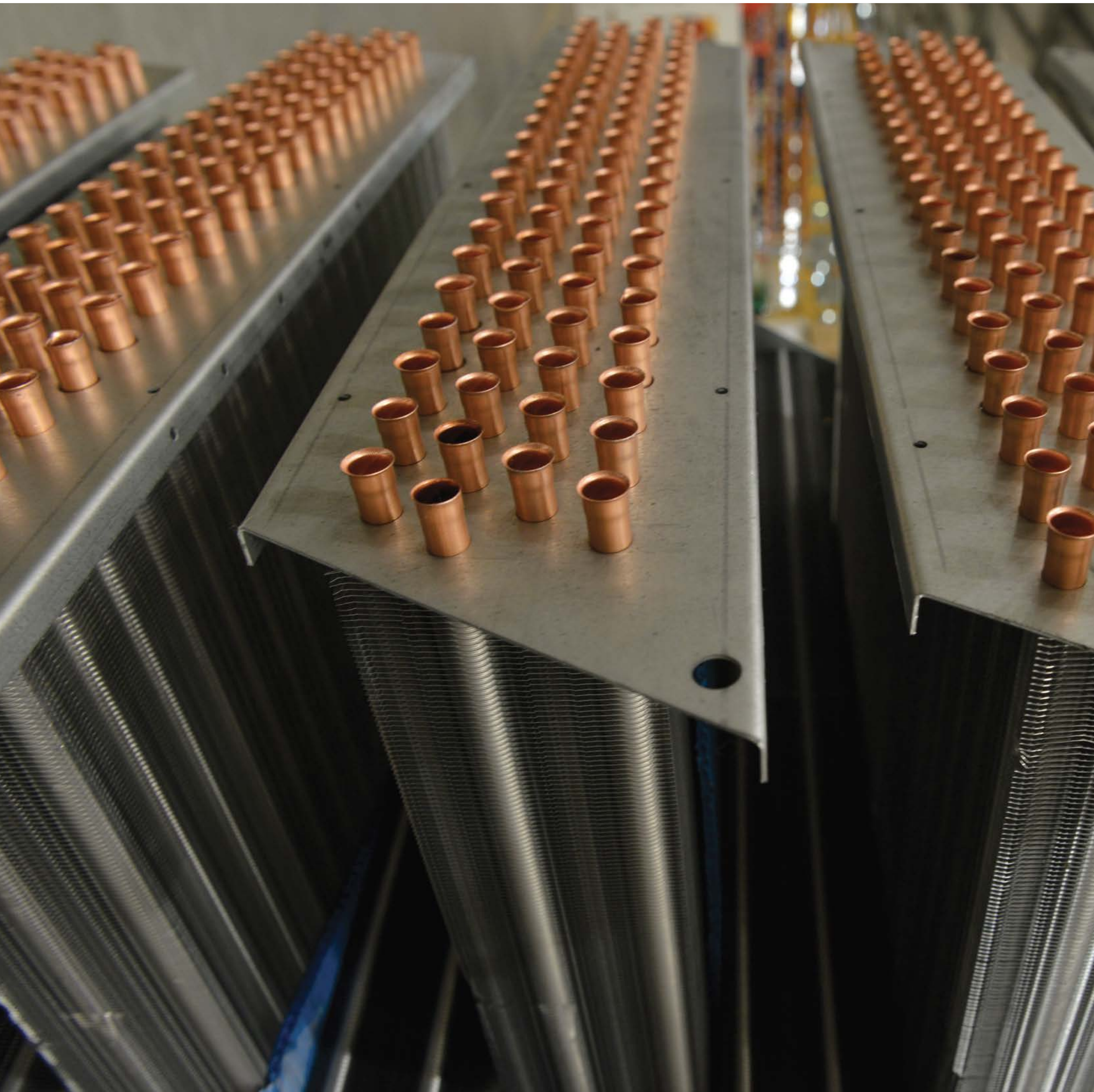
Zamil Inspection and Maintenance of Industrial Projects Company Ltd. (ZIMIPCO) continued to be highly successful in generating and fulfilling projects for principals throughout the year. A substantial majority of assignments undertaken have been for Saudi Aramco, but other important customers include SABIC and associated companies Hadeed, Yansab and SAFCO, Chemanol, Albayroni and Al-Watania.

The works undertaken for customers cover a wide area of expertise, including vessel cleaning, catalyst replacement, bundle pulling, column replacement, the fabrication, replacement and installation of new headers for furnaces, replacement of dip tubes in a pre-heater cyclone and repair work on a rotary kiln, re-tubing of a de-ethanizer overhead condenser and extensive repairs to heat exchangers. These tasks were executed in tight time frames to minimize the duration of customer plant shutdowns.

ZIMIPCO continued to be highly successful in generating and fulfilling projects for principals throughout the year

- **Steel Sector**
  (continued)

- **HVAC Sector**



Zamil Industrial's HVAC sector is represented by Zamil Air Conditioners Holding Co. Ltd., the largest supplier of air conditioners in the Middle East, whose business is divided into the following units: Unitary and Applied, Consumer and CoolCare in Saudi Arabia and Geoclima in Italy. In 2014, Zamil Air Conditioners Holding Co. Ltd. assumed ownership of all the Company's HVAC businesses.

The HVAC sector has once again completed a successful year, with its revenues rising by 10% over the year before, while its bottom line also rose by 19% over that of 2013. There was growth in all business units, especially in the Unitary and Applied Business Unit and in CoolCare.

New product development was also a strong priority in 2014

Early in 2014, Zamil Air Conditioners announced the successful commissioning of the first ever water-cooled Turbocor Centrifugal Chiller in the Middle East. This innovative chiller, which was designed and produced by Geoclima in association with the company's Heavy Duty Cooling Product Unit, is of advanced design, offers added flexibility over traditional chillers and outstanding energy savings.

Unitary and Applied Business Unit retained its leadership position in the Saudi marketplace during the year. It received substantial orders for the supply and installation of a wide range of equipment for entities as diverse as Kemya and Ma'aden in Jubail, King Khalid and King AbdulAziz Universities in Abha and Rabigh respectively, Sepco111/Zamil Projects in Ras Al-Khair, and major projects for the Ministry of Interior in Riyadh and the Haramain High Speed Railway in Makkah, as well as a number of smaller orders.

Crucial product certifications were attained by the Unitary and Applied Business during the year, including AHRI and Eurovent for performance; SASO for energy labeling; and UL for safety. These specifications apply to a total of 610 modules under 30 different series of the four product units, Unitary, Applied, AHU and Chillers.

In 2014, following an independent assessment of the company's environmental management system and the occupational health management systems, the Zamil Central Air Conditioners Factory achieved ISO 14001:2004 (Environmental Management Systems) certification in recognition of its continuous improvement programs and OHSAS 18001:2007 (Occupational Health and Safety Management Systems) certification for the quality of its management systems regarding health and safety risks.

New product development was also a strong priority in 2014. The Applied Product Unit successfully developed five new package units, one of which is explosion-proof, while the Heavy Duty Cooling Product Unit developed a new generation of process-cooling chillers that extends the scope of industrial applications.

Consumer Business Unit continues to generate a high level of business both in Saudi Arabia and overseas. In the home market, major project orders were received from the Ministry of Education for a school project in Riyadh; Sahara Maintenance Services for supply to the National Guard in Riyadh; Abdullah Al-Mishal Est. for Tasnee Housing in Jubail; Tamimi Global Co. Ltd. (TAFGA) for the Hawiyah Contractors Park; and the Ministry of the National Guard for a housing project in Riyadh.

Additional orders were received for a substantial number of small but important projects in the home market. Many orders were also received from GCC customers, mostly for retail sale in their respective countries. A number of units were also supplied to clients in Yemen, Bangladesh and Ghana.

During 2014, the Consumer Business Unit developed and launched RAC and wall-mounted split units that meet SASO regulations of 9.7 and 11.5 Energy Efficiency Ratings respectively, marking the second product efficiency upgrade within a period of just fifteen months. The business unit also developed and launched the Variable Refrigerant Flow – VRF Zamil D4 PLUS series of multi-indoor, single-outdoor-system units using Emerson Digital Control technology.

CoolCare Business Unit maintenance, repair and overhaul (MRO) successfully filled major project orders during the year from Saudi Aramco, SABIC, Al Rajhi, Petro Rabigh, Saudi Electricity Company and Jizan University, along with further orders from a range of entities across the Kingdom. CoolCare Parts also received many project orders from customers in all of Dammam, Jubail, Riyadh, Jeddah, Yanbu and Gizan and also from Hyundai in Dubai, UAE.

CoolCare's Zamil Projects Division also received major orders from the Saudi Electricity Company for substations in Al Rass, Buraida and Qassim; Trading and Development Partnership Co. / Albabtain Contracting Co. for substations in Kharj, Dawadmi, Riyadh and Qassim; and Saudi Aramco for its contractor residential park in Uthmaniya.

A major initiative during the year has been the introduction of the "SmartVan Automated Service" for Saudi customers. This new system is designed to enable customers to initiate service through a single call to the Zamil Air Conditioners Call Center, where the new service system generates a case record and automatically assigns the new work order to the first available skilled field technician. This system is the first of its kind in the region to utilize mobile app technology to provide customers with state-of-the-art service solutions.

• HVAC Sector
(continued)

The company's Utilities Market segment received an order from the Saudi Electricity Company for their firefighting project in Abha, while Zamil Air Conditioners India Private Ltd. received a contract from Supreme Infrastructure India Ltd. to supply, install, test and commission HVAC and plumbing works and to perform all essential HVAC and PHE system engineering for the prestigious Mahanadi Institute of Coal Management in Orissa State.

In mid-year, Zamil Projects was awarded a Certificate of Recognition from Techint for the safety standards applied on the YASREF SP-3 Package, for promoting an injury and accident-free environment and for achieving five million safe man-hours with no lost-time incidents.

In the last quarter of the year the company participated in SABIC's annual exhibition "STM-11." The exhibition included meetings and networking opportunities for exhibitors and visitors, and presented an opportunity for interested parties to enter one of the world's largest and fastest growing energy markets.

"CoolCare Business Unit maintenance, repair and overhaul successfully filled major project orders during the year from major national companies

> Arabian Fiberglass Insulation Company Ltd. (AFICO) experienced yet another good year, registering growth in export sales and production

• Insulation Sector

Zamil Industrial's insulation sector comprises two units within Gulf Insulation Group (GIG), namely, Arabian Fiberglass Insulation Co. (AFICO) and Saudi Rock Wool Factory (SRWF), and a third entity, Saudi Preinsulated Pipes Industries (SPPI), which is owned by the shareholders of GIG individually. Zamil Industrial is the managing partner of GIG and holds 51% of the equity.

GIG is the regional leader in insulation manufacturing, enjoying a strong reputation as a provider of environmentally efficient solutions to the construction sector. The products manufactured include glass wool, rock wool and pre-insulated pipes, all produced according to the highest international standards. The business units provide the most comprehensive range of insulation materials available in the Middle East from a single source.

Insulation Sector
(continued)

Arabian Fiberglass Insulation Company Ltd. (AFICO) experienced yet another good year, registering growth in export sales and production. Following the inauguration of the new factory, which has an installed capacity of 24,000 MT, the company's total manufacturing capacity is now 37,000 MT per year. The new facility enables AFICO to introduce energy-efficient, environmentally friendly fiberglass insulation products to the marketplace.

Major projects awarded in 2014 include the Riyadh Metro; Salalah and Muscat International Airports in Oman; Fairmont Hotel in Abu Dhabi; Abdali Mall in Jordan; Samia Project, the King Abdullah Financial District, and the King Abdullah Petroleum Studies and Research Center in Riyadh; and a Cultural Center in Dammam. In order to accelerate the development of new business, the company's network of distributors has been further expanded in Saudi Arabia, the wider GCC, and in Asia and Africa.

New certification was received from ISO and UL, while AFICO collaborated with the Saudi Energy Efficiency Center in setting standards and served as one of the main sponsors of the Thermal Insulation Campaign in the Kingdom.

Saudi Rock Wool Factory Company Ltd. (SRWF) maintained its successful operations in 2014 and increased its revenues by 10.7%, mostly due to the start-up of its new factory in Al-Kharj Industrial City with an installed capacity of 40,000 MT (almost double

Saudi Rock Wool Factory Company Ltd. (SRWF) maintained its successful operations in 2014 and increased its revenues by 10.7%

that of the existing factory) and a rise in average selling prices. To generate additional business, the presence of the company's sales force in the marketplace has been enhanced, with added attention to other MENA markets, especially those in the GCC.

Major projects over the past year included the Haramain High Speed Railway in Jeddah; Buildings in King Abdullah Financial District in Riyadh; Jeddah and Madinah Airports; Rabigh Power Plant; and Sadara Chemical Company in Jubail Industrial City.

During 2014, SRWF achieved UL and IMO certification, while SASO and FM certification was in process at year's end. In November, SRWF participated in the exhibition of the 11th SABIC Technical Meeting in Jubail.

The company is fully compliant in terms of Saudization requirements, and the hiring and training of Saudi nationals in coordination with the Saudi Human Resources Development Fund continues apace.

Saudi Preinsulated Pipes Industries Co. Ltd. (SPPI) has historically been a wholly-owned subsidiary of GIG, but in the course of the current year the ownership structure changed, with the shareholders in GIG now owning SPPI individually. SPPI has faced a difficult year, but as it came to a close there was considerable confidence that both the order book and the market environment will improve in 2015.

• Insulation Sector
(continued)

The company is currently installing a new Pentamixer equipped to handle environmentally friendly chemicals, as those currently in use are about to be banned worldwide.

The company has accepted orders during the year for several of its products, from both the home market and overseas markets in Qatar, Oman, and Jordan.

SPPI joined AFICO and SRWF to participate in the Exhibition and Symposium of Projects in Riyadh, the Big 5 Saudi 2014 in Jeddah, the Saudi Energy Efficiency Exhibition in Riyadh; and, together with other Zamil Industrial business units, in the Big 5 2014 in Dubai.

During the course of the year, GIG disposed off its 49% investment in Armacell Zamil Middle East Co. Ltd., for a consideration of SAR 22.5 million (USD 6 million) and recognized a gain of SAR 14.08 million (USD 3.75 million). Legal formalities associated with the transfer of ownership were in process at year's end.

• Concrete Sector

Zamil Industrial's concrete sector interests are represented by Rabiah & Nassar and Al Zamil Concrete Industries Co. Ltd. (Ranco Zamil), which the Company holds a 50% stake. Ranco Zamil is pre-eminent in Saudi Arabia in the Precast industry. Specifically, the company designs, manufactures and erects precast concrete buildings, also producing various elements such as

> Ranco Zamil registered higher revenues in 2014 compared to the previous year

foundations, precast panels and staircases, columns, beams, pre-stressed flat and hollow-core slabs, Double T, boundary walls and other elements used in road construction. Projects executed comprise schools, university buildings, hospitals, hotels, commercial buildings, wedding halls, malls, industrial and residential buildings, wide span buildings and bridges.

The company registered higher revenues in 2014 compared to the previous year. Erection output increased over the same period. Better performance resulted from enhanced manpower efficiencies, improved planning processes and a more focused approach to the execution of projects.

Major projects completed during 2014 included the headquarters building of the Land Forces in Riyadh, Housing for the Al-Mobty Housing Project in Abha, a number of substations across the Kingdom and a building for Jarir

Concrete Sector
(continued)

Bookstore in Riyadh. Substantial new projects include further substations in several locations in the Kingdom, a girls' camp in Hail, an education college in Al-Kharj and an industrial building in Riyadh Second Industrial City.

To meet increasing demand, sixteen panel-manufacturing tables with a production capacity of approximately 30,000 cubic meters were commissioned in Factory Five. Notably, the company's ISO-9001-2008 Quality Management System certification was renewed until 2017. A series of training programs were conducted to enhance the knowledge and efficiency of all staff, with topics including emergency action planning, project management, enterprise resource planning and performance evaluation development.

Looking ahead, a number of systems were introduced during the year to ensure enhanced cost control, more accurate assessment of raw material consumption, closer attention to quality and better scrap control. These, combined with a substantial number of current orders as of 31st December, provide confidence in the further success of Ranco Zamil in the coming year.

> A series of training programs were conducted to enhance the knowledge and efficiency of all staff

• Other Sectors

Zamil Infra Private Limited (ZIPL) is a joint venture company within the Zamil Industrial Group that actively participates in telecommunications as well as in the fast growing alternative and renewable energy sector. ZIPL is based in India and offers integrated design, engineering, procurement, construction and project management services in the telecommunications, infrastructure and renewable energy sectors.

During the two years prior to 31st December 2014, ZIPL has focused primarily on telecommunications infrastructure, supplying towers and building sites on a full turnkey basis, and on renewable energy services, specifically 22MW solar plants and telecommunications hybrid solar solutions.

As in previous years, considerable time and effort has been spent in 2014 in pursuing business opportunities. The rewards are evident, as the level of business generated has grown considerably, especially in Nepal, Thailand, and in some African countries. Despite the year's successes, business development has continued apace with detailed attention given to new markets in Ethiopia, South Africa, the Philippines and Indonesia.

Other Sectors
(continued)

Nepal proved to be ZIPL's second largest market in 2014, and NCell, the country's largest private operator with some 50% of the market, became the company's biggest customer. Over the five years ending in 2014, ZIPL has rolled-out more than 1,200 telecommunications towers in Nepal, and has also become one of the largest service providers for infrastructure rollouts in the country. In addition to new site builds, ZIPL provides NCELL and other customers with end-to-end managed services for its sites that include corrective and preventative maintenance and fuel filling at their diesel generator sites. The diesel generator-related services have proven so successful that detailed consideration is being given to offering such services outside the telecommunications sector.

In 2014, Thailand opened up 4G rollouts, thereby creating opportunities for ZIPL in infrastructure expansion. As a result, TRUE, one of the leading operators in the country, has selected ZIPL to implement more than 500 of their sites during the coming twelve months.

Having become a registered global supplier of products and services to MTN a year earlier, ZIPL was invited in 2014 to participate in a multi-country tender floated by that company. ZIPL proved successful in the bidding process and was chosen as a supplier of telecommunications towers to the twenty-one countries where MTN is a registered operator. As the year ended, detailed negotiations were ongoing in relation to some of these countries.

In the solar sector, the entire 22MW portfolio deployed by ZIPL delivered excellent power generation yields. The company has found that it takes time for solar plants to stabilize, but an up-surge in unit generation has resulted in revenue growth of between 15% and 20%.

Looking ahead, ZIPL is confident of sustained success. It has a considerable amount of new business on hand that is likely to increase revenues, and plans to continue business development activities that have demonstrated further potential.

Market Outlook in 2015

Market Outlook in 2015

(continued)

As 2014 came to an end, the worst of the global financial crisis of six years ago appeared to have been largely overcome. But organizations such as the World Bank and the International Monetary Fund (IMF), while projecting improved growth in 2015 of between 3.5% and 3.7% for both developed and developing countries, remain cautious in their appraisal of the situation as it remains very mixed, despite the sharp drop in oil prices during the fourth quarter.

Countries such as the USA, and to a lesser extent the UK, are seeing recovery at a reasonable pace while the Eurozone and emerging market economies are mainly witnessing slower growth. In short, as the IMF's chief economist opined late in the year, "things are improving, but not as quickly as we would dream."

As the year ended, the price of oil on world markets had fallen with Brent Crude, the international benchmark, trading at about US$55 a barrel, a fall of over 50% since the high attained in July. This situation has had an adverse impact on oil producers across the globe, including Saudi Arabia, although the Kingdom is better placed than many other producers because of its substantial financial reserves.

GCC countries are expected to sustain economic growth despite losses in oil export revenues caused by plunging oil prices. All GCC countries with the exception of Kuwait will sustain fiscal deficits if oil prices remain at current levels, according to IMF.

Throughout the closing months of 2014 there were strong expectations that Saudi Arabia would cut production, but by 31st December this had not occurred and seemed increasingly unlikely to happen. Concurrently, there was widespread concern that the oil price would subside further in the early months of 2015, with many pundits suggesting the price might well rise again before the end of that year or early in 2016.

> GCC countries are expected to sustain economic growth despite losses in oil export revenues

Saudi Arabia

As Zamil Industrial's home market, Saudi Arabia is very important, especially the activities of the government as they are the prime driver of the national economy.

Following an unplanned fiscal deficit in 2014, the first since 2009, the Kingdom's 2015 budget also anticipates a deficit. As has been the case over many years, an expansionary budget with a high level of expenditure has been announced, which will ensure yet further support, indeed stimulus, for the local economy.

Expenditure for 2015 is projected at SAR 860 billion (USD 229.3 billion), a figure substantially below that budgeted a year earlier, on the back of revenues of SAR 715 billion (USD 190.7 billion), a deficit of SAR 145 billion (USD 38.7 billion), which will likely be financed by drawing down part of the country's substantial net foreign assets. Should the oil price subside further, the deficit will inevitably increase unless a decision is taken to curb the expenditure.

As was the case in 2014, education and health care remain the primary focus, accounting for approximately 44% of total spending. Specifically, education and training have been allocated SAR 217 billion (USD 57.9 billion) of which some SAR 14 billion (USD 3.7 billion) will be used to finance 164 new projects, with a further SAR 12 billion (USD 3.2 billion) allocated for the refurbishment of universities as well as for the construction of three new universities. A further SAR 400 million (USD 106.7 million) has been provided for the refurbishment of government schools and sports centers. Technical and vocational colleges and institutions are also to be built.

• Market Outlook in 2015
(continued)

Expenditure in the health and social affairs budget has been set at SAR 160 billion (USD 42.7 billion), a figure that provides for three new hospitals, three blood banks, eleven medical centers, ten care clinics and numerous primary care centers Kingdom-wide. The social affairs budget foresees expenditure on sixteen sports clubs.

Transport and infrastructure has been allocated SAR 63 billion (USD 16.8 billion), a figure that includes expenditure on the upgrading and modernizing of existing ports and local and international airports as well as railroad projects. Figures for the defense sector are not included in the budget figures, but further opportunities are likely to be available in this sector.

These four sectors contain a substantial number of construction related projects, all of which offer many opportunities for products and services from the domestic private sector, including from all of Zamil Industrial's companies, which are exceptionally well placed to derive maximum benefit.

Moderate growth is expected in 2015, with real GDP to grow 3.0% in 2015 as compared to 3.6% in 2014, and foreign investment growth is projected at 4% for 2015, while the government continues to pursue economic reform and diversification.

Emerging Markets

Zamil Industrial has interests in Egypt, India and Vietnam, with business being generated throughout Africa, the Indian subcontinent and Southeast Asia.

Since the Presidential elections in early 2014, Egypt's economy is beginning to show signs of recovery after a number of years of moderate activity and minimal growth. This, in part, emanates from confidence among the business community that the long-needed economic reform is beginning to be addressed. This improving environment is expected to prove beneficial to Zamil Steel Egypt during 2015.

Zamil Steel Egypt also transacts business in many countries throughout the African continent, where the IMF predicts strong growth for a number of sub-Saharan countries through 2015, a situation that may well create potential opportunities for the business unit.

The Indian economy has seen a minimum growth of less than 5% a year over the past few years, but following national elections in mid-2014 increased confidence prevails with the government predicting 7%-8% annual economic growth in the coming three years. Local commentators expressed confidence that this could be achieved; with one suggesting that the government had announced "a very pro-growth budget for the new-look India".

Integral to current thinking is increased expenditure on infrastructure, the development of "one hundred smart cities" and the promotion of selective foreign direct investment. Together, these may well provide domestic opportunities for Zamil Steel India. Elsewhere in the subcontinent, a number of countries such as Nepal and Sri Lanka have already been penetrated and hold potential for further business.

The economies of Southeast Asia are deemed likely by entities such as the Organization for Economic Cooperation and Development (OECD) to see slower rates of growth in 2015.

Nevertheless, countries such as the Philippines, Indonesia and Malaysia are already seeing stronger growth rates than many of their neighbors. In Vietnam, from where Zamil Industrial's operations successfully serve several Southeast Asian countries, the government projects that the economy will expand more quickly in 2015, driven largely by an increased level of exports, a projection that may well be impacted adversely by the sharp fall in the price of oil on world markets, as oil constitutes about 10% of all national exports. Despite such optimism from the government, and its pursuit of a program of economic reform, domestic economic growth reportedly remains limited and may well remain so throughout 2015.

‘ Countries such as the Philippines, Indonesia and Malaysia are already seeing stronger growth

Zamil Industrial is fully committed to transparency and the disclosure of all material facts

Zamil Industrial's Corporate and Shared Services bring the advantages of size, better utilization of resources and the synergies of the corporate organization to the company's business units. Corporate and Shared Services uses its vast body of expertise to foster growth and mutual cooperation across the enterprise in line with the company's Vision and Mission. Several achievements were recorded in 2014.

Corporate Governance

Strong corporate governance is wholly integral to Zamil Industrial's core values and has a marked effect on the manner in which it is managed and the way in which it relates to all stakeholders, be they employees, customers, shareholders or the communities within which the company operates. In abiding by its core values Zamil Industrial as a

• Corporate and Shared Services Review

whole is committed to creating long-term value, a commitment enshrined in the company's Code of Business Conduct and Ethics, Corporate Governance Guidelines, the Charters of the Board of Directors' sub-committees, and the company's Disclosure Policies, which seek to ensure the transparency and veracity of all information disseminated.

As a publicly-listed company Zamil Industrial seeks to follow all the recommendations of the Capital Market Authority in Saudi Arabia as that organization provides the premises for enhancement of the quality, transparency and levels of disclosure within the commercial sector, with the fundamental aim of ensuring a credible environment for investors.

Zamil Industrial is fully committed to transparency and the disclosure of all material facts, and the Board of Directors bears the ultimate responsibility for ensuring full compliance with the company's values and policies and the continued application of good governance principles throughout the business. To these ends the Directors assess performance each year; ensure the maintenance of a suitable balance between the company's defined strategy and its operational and financial performance; oversee the management of risk, internal controls and the protection of assets; and keep current all Board and management succession plans.

Internal Audit

Internal Audit primarily provides an independent and objective opinion to Zamil Industrial on issues of risk management, control and governance. Reports are presented quarterly to the company's Audit Committee, but Internal Audit also has direct access to and is ultimately accountable to the Chief Executive Officer and the Board of Directors.

Internal Audit also examines and evaluates management controls and those plans and procedures adopted by the company to guide its activities; provides management with the necessary information to enable them to effectively control corporate assets and operations; and also performs an independent and objective consultancy function in support of line managers to improve risk management, governance and control.

During 2014, 100 regular financial and operational audits were undertaken with 750 recommendations for improvements, all of which were accepted by management and forwarded to the relevant personnel for implementation. Among the main recommendations made during the year was the need for immediate action to rectify any identified and significant weakness, so minimizing risk to the business; the exposing of deficiencies related to potential for fraud, embezzlement, deceit and dishonesty; and the introduction of compliance auditors in Zamil Steel India and Zamil Steel Vietnam to review all payments prior to final approval.

In order to strengthen internal and anti-fraud controls and to build on the existing culture within the company of protecting the integrity of business operations, resources were allocated to provide the necessary interrelated training and education. To these ends, a highly focused seminar was delivered by Internal Audit, entitled "Management and Fraud Controls." The seminar provided management with a greater understanding of internal controls, the application of corporate policies and procedures and the use of internal processes and external methods to control fraud, thereby ensuring the achievement of Zamil Industrial's financial and operating goals.

Legal Affairs

The Legal Affairs Department at Zamil Industrial plays a key role in creating a culture of compliance in all the jurisdictions in which it operates around the globe. This, together with its role as legal counselor to the company, has ensured a high level of activity for the department in 2014.

The year has been challenging, particularly because of the rapid improvements in regulations related to the many businesses of the company such as the energy efficiency regulations, customer protection guidelines, and labor-related policies. Legal Affairs has further contributed to the company's success this year by drafting agreements such as those required for agencies, sales, construction, services and shipping.

Additionally, Legal Affairs shoulders the responsibility for professionally resolving all business disputes using clear and effective communication, ADR and all other legal means. The Legal department saves time and cost for the company by providing advice on collections, contract negotiations and preemptive recommendations to all business units.

Human Capital

The Corporate Human Resources Department (Human Capital) has been very busy this year, conducting seventy-three recruitment campaigns, forty-two of which took place in Saudi Arabia. As a result, 2,364 new recruits joined Zamil Industrial's business units, 45% of whom were Saudis, including a number of women. With regard to the latter, Tamkeen II (Female Professional Employment) was inaugurated in June with support from the national Human Resources Development Fund. Included among the recruitment campaigns was the Wadaef Job Fair at Asharqia Chamber of Commerce.

In employing new recruits, close attention was paid to full compliance with the Nitaqat nationalization program, which ensures a growing number of Saudi employees in company workforces. At the end of 2014, all Zamil Industrial companies were in compliance with the existing Nitaqat requirements and action had been taken to ensure compliance with a new Nitaqat target set for Zamil Industrial member companies in November.

To enhance the knowledge and skills of all employees, 54 training sessions were conducted during the year, including those associated with Zamil Industrial's Talent Management program, which provided training for 149 employees.

“2,364 new recruits joined Zamil Industrial’s business units, 45% of whom were Saudis, including a number of women

Furthermore, the basic salary of all Saudi employees was again raised, the Ministry of Labor's wage protection system was implemented across the company and a Human Capital helpdesk was introduced to respond to employee requests and needs. Human Capital also organized the "Mentor and Buddy System" workshop in Dammam, which included a checklist for employers when hiring employees with a disability, and a general discussion about the mutual benefits of employing people with disabilities.

As part of its continuous efforts to improve the workplace environment and employee relations, Human Capital conducted a comprehensive employee survey across all sectors and business units to gauge employee satisfaction with respect to key workplace issues, such as compensation and benefits, training and career development, working conditions, and effective communications. The overall response from 5,200 employees was positive.

During the year, Zamil Industrial's employees participated in the company's annual Sports Fest 2014 and in the in-house annual Ramadan Iftar. The Zamil Industrial football team participated in the Al-Qadisiya Ramadan Football Tournament in Al-Khobar. In Vietnam, the local company took staff and their families from its Noi Bai factory for a summer trip to the beaches of Hai Tien and Nha Trang. These activities offered opportunities for the employees and their organizations to develop stronger bonds both in and outside the workplace.

Training

Over the years, Zamil Industrial has depended upon high quality training to ensure the continued success of the company's business units and employees.

A major achievement in 2014 was the accreditation of Zamil Higher Institute for Industrial Training (ZHIIT) by Edexcel UK as an approved BTEC Center for a wide range of training programs. The training programs that received accreditation include level two and three diplomas in electrical and electronic engineering, mechanical engineering, operations and maintenance and manufacturing engineering.

In addition to providing in-house training to Zamil Industrial business units, ZHIIT has proven to be highly successful in generating external clients. During 2014, training projects were completed for Saudi Aramco, Advanced Petrochemical Company, Saudi Electricity Company and for clients of Zamil Air Conditioners and Zamil CoolCare. New agreements were signed with Schlumberger Middle East, ElSeif Engineering Company and Zamil Industrial, and eight additional companies became clients of ZHIIT for training in 2015.

Of special mention is the agreement signed with the parent company to train Saudi employees who are newly recruited as part of Zamil Industrial's Saudization program. These individuals will be registered under the Technical and Vocational Training Corporation (TVTC) accredited, two-year diploma programs in electrical and electronic technology, welding and fabrication technology, refrigeration and air-conditioning technology and manufacturing and production technology.

Information Technology

Information Technology is fundamental to the successful pursuit of business in today's market. To this end, Zamil Industrial constantly seeks excellence in the IT services of all business units. In the current rapidly changing IT environment, it is widely recognized that throughout the company, there is a profound necessity to undertake IT initiatives that deliver operational excellence and the alignment of IT operations with business objectives.

Over the past three years, Zamil Information Technology Global (Zamil ITG) has focused firmly on the development of Global ERP instance across the Group. By the end of 2014, 26 Zamil Industrial business units across Saudi Arabia had been accommodated in a single ERP instance; ready to go live at the very start of 2015. This will be a major step in standardizing business processes and systems across all business units.

‘The rapid expansion of Zamil Industrial's cloud infrastructure and capabilities has enabled the roll out of eleven cloud-based applications to end users

The convergence of cloud computing and mobile technologies has transformed the way business applications are developed and deployed. The rapid expansion of Zamil Industrial's cloud infrastructure and capabilities has enabled the roll out of eleven cloud-based applications to end users. Furthermore, 90% of the company's e-mail service has been migrated to the cloud, thereby allowing a level of collaboration that is not possible with hosted services.

Following the introduction of "Enterprise Business Process Management" (EBPM) to Zamil ITG in 2013, the function was used during the year under review to simplify, streamline and re-engineer the business processes in four business units by automating repetitive tasks and creating end-to-end efficient processes. Additionally, EBPM worked on three new major automation initiatives: freight quotation management, supplier quotation management and inward logistic management, which are now being introduced across all business units and which will enable the elimination of manual and ad-hoc processes and improve transparency.

Corporate and Shared Services Review
(continued)

In terms of technology, Zamil ITG constantly evolves in response to the rapidly changing environment that poses potential risk to the security of all computer systems, networks and services with the possible detriment to confidentiality, availability and integrity of all company data. As Zamil Industrial's business continues to grow, several initiatives have been implemented by Zamil ITG that will optimize performance, drive efficiency and productivity, reduce cost and enhance cybersecurity.

> LPD conducted a series of HSE training and awareness programs on a continuous basis throughout 2014

In 2014, 11,682 incidents were resolved by Zamil ITG, a figure lower than a year earlier, with 84% of them resolved on the same day they were reported. To ensure overall satisfaction a customer satisfaction survey ascertained that 96% of 2,420 respondents expressed satisfaction with Zamil ITG, as compared to 94% a year earlier.

Loss Prevention and Safety
Zamil Industrial's Loss Prevention Department (LPD) seeks to inculcate in every employee the highest level of Health, Safety and Environment (HSE) awareness, with the aim of minimizing any potential hazards resulting from the company's operations to both itself and the environment. LPD conducted a series of HSE training and awareness programs on a continuous basis throughout 2014, with the aim of providing four hours of training to every employee. That target was exceeded with 4.25 hours training provided per employee, and over the course of the year, 6,757 individuals participated in 906 HSE training sessions.

LPD has had a most successful year, with many noteworthy achievements. HSE incident rate improved by 34% compared to the previous three years; incident-free days improved by 25% over the same three years; and frequency and severity rates declined by 77% and 64%, respectively, year-on-year. The indirect cost to Zamil Industrial also fell, by 16%, in the light of the reduction in occupational lost-time injuries and their severity.

Compliance with Civil Defense requirements remained a central LPD activity, as it sought to obtain or renew the necessary Civil Defense Permits for seven Zamil Industrial units. Additionally, two factories renewed or obtained Presidency of Meteorology and Environment permits.

Another major function of LPD is to conduct on-site surveys. In 2014, surveys were carried out at the Riyadh joint venture factories, enabling the team to make necessary HSE recommendations. Furthermore, HSE development training was conducted for both supervisors and employees at the same factories. Additionally, in a number of locations in the eastern province of Saudi Arabia, suggestions were made for rectification of HSE issues. HSE development training was also provided to Zamil CoolCare and selected employees, including supervisors of Yanbu National Petrochemical Company (Yansab) Refinery as part of its fire and safety prevention campaign.

As in previous years, LPD proved highly active operationally. The number of HSE operations, fire protection operations and environmental activities amounted to 11,526, 4,416 and 416 respectively, while security operations numbered 26,632. A total of 893 technical studies were also made.

A prime corporate event is the Zamil Industrial Safety Award Program. The Zamil Central Air Conditioners Factory proved yet again to be the safest factory within the Group, receiving the coveted "Zamil Industrial Best Safety Performance Award" for the third year in succession.

Last, but by no means least for LPD, its Director received the prestigious "2014 COSS Excellence in Safety Award," which is presented by the USA's United Safety Council Independent Awards Selection Committee to "an individual who has taken the knowledge learned in the COSS course and applied it in what the Selection Committee determines as 'extraordinary ways' in their workplace." This year, applicants from 13 countries competed for the award. Zamil Industrial is very proud of its Director's achievement, as it exemplifies safety as one of the core competitive advantages of its business units and at the forefront of its decision-making processes in making safe and profitable investments.

Energy Efficiency and Conservation Initiatives

The Kingdom of Saudi Arabia has witnessed unprecedented economic and industrial development in the past few decades, which has led to an increase in the kingdom's domestic energy consumption. Saudi Arabia is expected to invest over SAR 330 billion in new projects in the power sector between now and 2020, increasing its electricity generation capacity to 80 gigawatts in order to meet the country's future needs.

Zamil Industrial has embarked upon national energy efficiency initiatives and programs, which aim to rationalize and raise energy consumption efficiency in Saudi Arabia and to support the energy conservation programs, as part of its commitment to reduce energy consumption and protect the environment.

Because of the importance of energy efficiency and conservation measures, all company sectors have been keen to support the programs for rationalization of energy consumption by regularly conducting research and studies related to energy efficiency. The optimal use of energy resources at our company's

facilities will undoubtedly support national development.

Zamil Industrial has always had an active role in national energy conservation strategies. In addition to sponsoring and supporting the Saudi Energy Efficiency Center (SEEC) national awareness campaigns — which emphasize the efficient use of energy in household appliances, such as the use of air conditioning, and shed light on the effects of energy conservation in the community — the company has also prepared the basic infrastructure for change, through its subsidiaries. This has actively aided in bypassing the challenges faced by the national energy efficiency project.

Additionally, Zamil Industrial is one of the first companies to hire program managers for the energy-related projects in the Ministry of Water and Electricity in the Kingdom. The company works closely with SEEC and related governmental agencies to support promotion of energy efficiency in buildings, including the enhancement of performance of building components and systems.

Our HVAC business has long complied with the requirements of the energy efficiency ratio (EER) labeling system in air conditioners and managed to utilize the latest energy-saving technologies in the various products that are manufactured and sold in the market. Zamil Industrial's HVAC business is one of the successful models for the application of energy-saving technology, and it is also one of the first companies to get the EER label by the Saudi

' Zamil Industrial has always had an active role in national energy conservation strategies

Standards, Metrology and Quality Organization. We have always strived to produce the most energy-efficient and environmentally friendly HVAC systems for various residential, commercial and industrial applications.

Likewise, the various insulation products we produce can save up to 20 percent energy on average, reduce energy costs for the buildings, and contribute significantly to a comfortable and healthy indoor environment.

The company adopts the most innovative process for manufacturing. Zamil Industrial production facilities produce energy-efficient, environmentally friendly insulation products that assist local governing authorities in the Gulf Cooperation Council countries, with ongoing efforts to implement more stringent building code requirements aimed at increased energy efficiency and fire safety standards.

The company is committed to offering the best available products under its brands to regional consumers, and will continue to strive toward introducing the most energy efficient, environmentally friendly and highest quality products into the marketplace.

Corporate Social Responsibility

As a responsible corporate citizen, Zamil Industrial is proud of its commitment to the communities in which it operates, maintaining contact and providing support throughout the year through charities and like-minded institutions that seek to assist the less fortunate. But it is not solely a corporate exercise, as employees are also encouraged to volunteer their time and energy to community projects, to which the response has been positive throughout the company.

As part of its core values and commitment to support and implement social responsibility programs toward a more effective and sustainable community service initiative, Zamil Industrial became a key founder and contributor to the establishment of the Qaderoon Business Disability Network, which was officially launched on March 9, 2014, by the Ministry of Labor in collaboration with a number of private-sector companies.

A further focus of the company's charitable activities has been the Saudi Food Bank (Eta'am), of which it was a founder and remains a firm supporter. Eta'am, which was founded in the Eastern Province to provide needy families with food, opened a new branch in Riyadh in 2014 and is examining the potential to open further branches elsewhere in the Kingdom.

The year also saw the introduction of a new element to its activities, Eta'am Waqf (Mortmain Property), a religious endowment that supports and has initiated construction of a residential investment project in the industrial city of Dammam. Zamil Industrial has contributed one million Saudi Riyals to the Eta'am Endowment (Waqf). The aim of the project, and others, such as the Eta'am Administration Building in Al-Khalidiyah District, is the generation of revenues in support of Eta'am's activities.

Eta'am, in pursuing its primary activity of feeding the poor and needy, preserved 359,145 meals in 2014, bringing the three year total to 700,000, all in preparation for future distribution. Owing to its commitment to attaining and maintaining all safety and food security standards, Eta'am was awarded HACCP (Hazard Analysis and Critical Control Points) certification during the year. Furthermore, there has been an increase in the number of food packing teams and the building of a central packing unit. At the year's end, Eta'am had a staff of 92, of whom 62% were Saudi nationals.

In 2014, Zamil Industrial continued practical and financial support of Endeavor KSA, an organization that "transforms the economies of emerging markets by identifying and supporting high-impact entrepreneurs". During the year, Zamil Industrial supported Endeavor KSA with SAR 375,000 (USD 100,000) in annual fees. By the end of the year, Endeavor KSA supported twelve entrepreneurs leading nine local companies, conducted ongoing selection of companies to support, and provided mentoring hours to candidates or selected companies. The net result has been the creation of 226 high-quality jobs by Endeavor KSA entrepreneurs in 2014, which increases the total number of jobs created in the Kingdom to 1,086.

During the year, financial support was provided by Zamil Steel in Ras Al Khaimah to the Emirate's Civil Defense International Day 2014, and a donation of steel beams was made to the UAE University. Blood donation camps were organized by Zamil Steel India and visits to non-governmental organizations that care for underprivileged children were undertaken. Zamil Steel Egypt organized visits to its factory by university students studying engineering; shared in the building of a walking bridge in an Egyptian village; and shared research into steel items with students at Cairo University, Faculty of Engineering.

> As part of its core values and commitment to support and implement social responsibility programs

Staff at Zamil Steel Vietnam raised funds through a “Charity Breakfast” for its Thrust Team No.8’s (T8) charitable fund; donated blood during “National Blood Donation Month – April 2014”; visited Hy Vong Orphanage in Lang Son Province to deliver food, milk, soap, detergents and cooking oil; and participated with thousands of other people in the “Hanoi Run for Children 2014,” the fourteenth time the event has taken place to raise funds for children from underprivileged families with heart disease or cancer.

Environment

All Zamil Industrial business units and their employees are fully aware of the overall environment in which they operate and give constant attention to its protection and to reducing wastage in the manufacturing process.

To these ends, all materials such as plastics, paper, oil, blast dust, paint cans, tires, electrical cables and hazardous and non-hazardous scrap are recycled to the maximum extent possible. In 2014, scrap sales increased by 32% over a year earlier, all of which was collected and taken off site.

Furthermore, efforts are made also to green the environment in the vicinity of Zamil Industrial factories, wherever this is possible, and to conform to all applicable standards for air quality, sewage and potable water and noise levels. A prime example of this is in Ras Al Khaimah, where the government’s Environmental Protection and

Development Authority certified that the company's factory was in full compliance with the current standards.

In Vietnam, employees supported Environment Month (June 2014) by participating in a clean-up day around Thien Quang Lake in Hanoi.

Zamil Industrial business units also seek to enhance their energy efficiency on an ongoing basis, and in 2014 electricity consumption was reduced over that of a year earlier. Other energy-related activities during the year included the participation of several business units in the Saudi Energy Efficiency Forum and Exhibition in Riyadh.

Sponsorship and Culture

Zamil Industrial takes the lead in sponsoring worthy causes and important business-related events in the region.

In 2014, and for the fourth consecutive year, Zamil Industrial sponsored the annual Sanad Al-Khair awareness campaign, which was conducted at several commercial malls in Riyadh by Sanad Children's Cancer Support Association during the holy month of Ramadan.

Also in Saudi Arabia, Zamil Industrial sponsored the National Campaign for Energy Consumption Rationalization organized by the Saudi Energy Efficiency Center in Riyadh and was the gold sponsor of the 2014 Exhibition and Symposium of Projects with Distinction in the Era of the Custodian of the Two Holy Mosques that was also held in Riyadh. The company also sponsored the Graduation Ceremony of the General Directorate of Civil Defense in the Eastern Province.

Zamil Steel India was the platinum sponsor of the Structural Steel Construction Summit 2014, organized by Steel Structures and Metal Buildings magazine.

Zamil Industrial hosted visits from an MSc group from Harvard University, the Polish Ambassador and a Polish Trade Delegation, a Kuwaiti business group and a delegation from Saudi Aramco. The company also organized field tours to Dammam First and Second Industrial Cities for participants in the Atabara Cultural Program, which is a collaboration between Saudi Aramco and ten sports clubs from across the Kingdom.

Corporate and Shared Services Review
(continued)

Recognition

The Saudi Arabian Cultural Bureaus in both the USA and Canada honored Zamil Industrial with certificates of appreciation for the company's active participation in their Career Day events held for the graduates of the King Abdullah bin Abdulaziz Scholarship Program.

The Human Resources Department at Zamil Industrial was honored by the Asharqia Chamber Employment Center for its contributions to the success of the Chamber's initiatives aimed at the recruitment of qualified Saudi nationals in various professional fields.

Zamil Steel Construction Company received HSE recognition awards from Petrokemya ABS project and Sadara Chem III project.

Zamil Steel Ras Al Khaimah received a certificate of appreciation from the Ras Al Khaimah Civil Defense Department in recognition of its contributions to the success of World Civil Defense Day 2014, and for the eleventh time since the award was inaugurated in the year 2000, Zamil Steel Vietnam received the prestigious Golden Dragon Award.

> The Human Resources Department at Zamil Industrial was honored by the Asharqia Chamber Employment Center

Financial Statements & Auditors' Report

Year Ended December 31st 2014

Deloitte.

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AUDITORS' REPORT

To the stockholders
Zamil Industrial Investment Company
Dammam, Kingdom of Saudi Arabia

Scope of Audit
We have audited the consolidated balance sheet of Zamil Industrial Investment Company ("the parent company"), a Saudi joint stock company, and its subsidiaries ("the Group") as of December 31, 2014 and the related consolidated statements of income, cash flows and stockholders' equity for the year then ended, and notes 1 to 31 which form an integral part of these consolidated financial statements as prepared by the parent company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the parent company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2014 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the nature of the Group, and comply with the relevant provisions of the Regulations for Companies and the Articles of the parent company as these relate to the preparation and presentation of these consolidated financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

Nasser M. Al-Sagga
License No. 322
4 Jumada I, 1436
February 23, 2015

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

CONSOLIDATED BALANCE SHEET
As of December 31, 2014

	Note	2014 SR 000	2013 SR 000
ASSETS			
Current assets			
Cash and cash equivalents	3	**309,721**	268,557
Accounts receivable and prepayments	4	**2,135,260**	2,239,165
Current portion of net investment in finance lease	7	**19,078**	18,287
Inventories	5	**1,597,271**	1,950,734
Amounts due from related parties	11	**61,975**	35,234
Total current assets		**4,123,305**	4,511,977
Non-current assets			
Investments	6	**206,834**	168,852
Net investment in finance lease	7	**425,614**	444,692
Property, plant and equipment	8	**1,415,984**	1,608,385
Amounts due from an associate	11	**33,850**	-
Deferred charges	9	**20,926**	8,330
Goodwill	10	**110,706**	158,543
Total non-current assets		**2,213,914**	2,388,802
TOTAL ASSETS		**6,337,219**	6,900,779
LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS			
Current liabilities			
Notes and accounts payable, accruals and provisions	12	**1,128,161**	1,128,304
Amounts due to related parties	11	**25,761**	35,448
Advances from customers		**308,821**	420,934
Murabaha and tawarruq finances	14	**1,883,059**	2,751,901
Short term loans	15	**110,389**	80,893
Current portion of term loans	16	**156,463**	97,410
Total current liabilities		**3,612,654**	4,514,890
Non-current liabilities			
Term loans	16	**403,915**	157,658
Employees' terminal benefits		**320,931**	310,625
Long term payables		**1,984**	36,925
Total non-current liabilities		**726,830**	505,208
TOTAL LIABILITIES		**4,339,484**	5,020,098
Stockholders' equity and non-controlling interests			
Share capital	17	**600,000**	600,000
Statutory reserve	27	**254,170**	228,136
Retained earnings		**840,330**	728,024
Proposed cash dividends	18	**60,000**	60,000
Translation loss on consolidation		**(11,980)**	(7,618)
Total stockholders' equity		**1,742,520**	1,608,542
Non-controlling interests	19	**255,215**	272,139
Total stockholders' equity and non-controlling interests		**1,997,735**	1,880,681
TOTAL LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS		**6,337,219**	6,900,779

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME
Year Ended December 31, 2014

	Note	2014 SR 000	2013 SR 000
Net sales	11	**5,436,128**	5,399,103
Income from finance lease	7	**19,291**	14,881
Total revenue	24	**5,455,419**	5,413,984
Cost of operations	11	**(4,121,343)**	(4,107,170)
Gross profit		**1,334,076**	1,306,814
Expenses			
Selling and distribution	20	**521,281**	499,266
General and administration	21	**405,624**	404,520
Amortisation of deferred charges	9	**1,296**	341
		928,201	904,127
Income from main operations	24	**405,875**	402,687
Permanent translation loss on consolidation		**-**	(29,249)
Other income, net	22	**19,006**	11,817
Impairment of goodwill	10	**(23,957)**	(11,363)
Financial charges	23	**(81,488)**	(88,050)
Income before share in results of associates and non-controlling interests, zakat and taxes		**319,436**	285,842
Share of profit in associates, net	6	**902**	1,564
Income before non-controlling interest, zakat and taxes		**320,338**	287,406
Non-controlling interests		**(21,494)**	(17,143)
Income before zakat and taxes		**298,844**	270,263
Foreign taxes		**(12,246)**	(12,299)
Zakat	13	**(26,258)**	(22,608)
NET INCOME FOR THE YEAR		**260,340**	235,356
Earnings per share from net income		**SR 4.34**	SR 3.92
Earnings per share from continuing main operations		**SR 4.02**	SR 3.72
Earnings per share from other operations		**SR 0.32**	SR 0.20
Weighted average number of shares		**60,000,000**	60,000,000

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2014

	2014 SR 000	2013 SR 000
OPERATING ACTIVITIES		
Income before zakat and taxes	**298,844**	270,263
Adjustments for:		
Depreciation	**156,033**	139,141
Employees' terminal benefits, net	**26,926**	38,562
Loss on disposals of property, plant and equipment	**467**	536
(Gain) loss on sale of investments	**(14,080)**	369
Non-controlling interests	**21,494**	17,143
Share in profit in associates, net	**(902)**	(1,564)
Amortisation of deferred charges	**1296**	341
Amortisation of front end fees	**1,847**	2,250
Impairment of goodwill	**23,957**	11,363
Permanent translation loss on consolidation	**-**	29,249
Financial charges	**79,641**	85,800
	595,523	593,453
Changes in operating assets and liabilities:		
Inventories	**327,830**	(130,469)
Receivables	**(14,932)**	(118,902)
Net investment in finance lease	**18,287**	(19,852)
Payables	**(16,286)**	85,654
Cash from operations	**910,422**	409,884
Financial charges paid	**(79,641)**	(85,800)
Zakat and foreign taxes paid	**(44,487)**	(22,464)
Net cash from operating activities	**786,294**	301,620
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(141,438)**	(190,927)
Proceeds from disposals of property, plant and equipment	**4,961**	18,608
Proceed from sale of investments, net (note 1)	**16,875**	18,883
Deferred charges incurred	**(14,646)**	(1,804)
Net cash used in investing activities	**(134,248)**	(155,240)
FINANCING ACTIVITIES		
Change in short term loans, murabaha and tawarruq finances	**(766,405)**	143,648
Change in term loans	**308,134**	(270,041)
Dividends paid	**(120,000)**	(90,000)
Non-controlling interests, net	**(15,503)**	(3,946)
Net cash used in financing activities	**(593,774)**	(220,339)
Net increase (decrease) in cash and cash equivalents	**58,272**	(73,959)
Cash and cash equivalents at the beginning of the year	**268,557**	338,820
Cash and cash equivalents of a de-consolidated subsidiary (note 1)	**(18,591)**	-
Cash and cash equivalents of a consolidated subsidiary (note 1)	**1,000**	1,000
Movement in translation loss, net	**483**	2,696
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**309,721**	268,557

SUPPLEMENTAL CASH FLOW INFORMATION (note 29)

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Year Ended December 31, 2014

	Share capital SR 000	Statutory reserve SR 000	Retained earnings SR 000	Proposed cash dividends SR 000	Unrealised loss on investment SR 000	Translation loss on consolidation SR 000	Total SR 000
January 1, 2013	600,000	204,600	623,204	45,000	(1,916)	(21,708)	1,449,180
Net income for the year	-	-	235,356	-	-	-	235,356
Transfer to statutory reserve	-	23,536	(23,536)	-	-	-	-
Directors' remuneration (note 11)	-	-	(2,000)	-	-	-	(2,000)
Dividends paid (note 18)	-	-	(45,000)	(45,000)	-	-	(90,000)
Proposed cash dividends (note 18)	-	-	(60,000)	60,000	-	-	-
Movement during the year, net	-	-	-	-	1,916	14,090	16,006
December 31, 2013	600,000	228,136	728,024	60,000	-	(7,618)	1,608,542
Net income for the year	**-**	**-**	**260,340**	**-**	**-**	**-**	**260,340**
Transfer to statutory reserve	**-**	**26,034**	**(26,034)**	**-**	**-**	**-**	**-**
Directors' remuneration (note 11)	-	**-**	**(2,000)**	**-**	**-**	**-**	**(2,000)**
Dividends paid (note 18)	**-**	**-**	**(60,000)**	**(60,000)**	**-**	**-**	**(120,000)**
Proposed cash dividends (note 18)	**-**	**-**	**(60,000)**	**60,000**	**-**	**-**	**-**
Movement during the year, net	**-**	**-**	**-**	**-**	**-**	**(4,362)**	**(4,362)**
December 31, 2014	**600,000**	**254,170**	**840,330**	**60,000**	**-**	**(11,980)**	**1,742,520**

The accompanying notes form an integral part of these consolidated financial statements

1. ORGANIZATION 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 Glass Industries, engaged in the production of glass.

Subsidiaries:

	Effective ownership percentage	
	2014	2013
Universal Building Systems Limited – Jersey	**100**	100
Zamil Steel Holding Company and subsidiaries - Saudi Arabia	**100**	100
Zamil Air Conditioners and Household Appliances - Saudi Arabia	**100**	100
Zamil Cool Care Services – Saudi Arabia	**100**	100
Zamil Central Air Conditioners – Saudi Arabia	**100**	100
Zamil Air Conditioners Holding Company – Saudi Arabia	**100**	100
Zamil Steel Buildings Company – Egypt	**100**	100
Zamil Steel Buildings (Shanghai) Company Limited – China	**100**	100
Cooline Europe Holdings GmbH – Austria	**100**	100
Clima Tech Airconditioners GmbH – Austria	**100**	100
Zamil Steel Buildings India Private Limited	**100**	100
Zamil Steel Engineering India Private Limited	**100**	100
Arabian Stonewool Insulation Company – Saudi Arabia	**100**	100
Ikhtebar – Saudi Arabia	**100**	100
Zamil Energy Services Company (ZESCO) – Saudi Arabia	**100**	100
Zamil Industrial Investment Company, Emirates	**100**	100
Zamil Steel Industries Abu Dhabi (LLC) – UAE	**100**	100
Zamil Steel Buildings (Thailand) Co. Ltd.	**100**	100
Al Zamil for Inspection and Maintenance of Industrial Projects Co. Ltd – Saudi Arabia	**100**	100
Al Zamil Steel Construction Company – Saudi Arabia	**100**	100
Zamil Structural Steel Company – Egypt	**100**	100
Zamil Construction India Pvt. Ltd.	**100**	100
Building Components Solutions – Saudi Arabia	**100**	100
Zamil Information Technology Global Private Limited – India	**100**	100
Zamil Higher Institute for Industrial Training Company Limited – Saudi Arabia	**100**	100
Zamil Industrial Investment Company Asia Pte. Ltd. – Singapore	**100**	100
Second Insulation Company Limited – Saudi Arabia	**100**	100
Eastern District Cooling Company Limited	**100**	100
Zamil Air Conditioner India Private Limited – India	**100**	100
Saudi Central Energy Company	**100**	-
Canam Asia Limited – Saudi Arabia	**-**	100
Gulf Insulation Group and subsidiaries	**51**	51
Zamil Steel Buildings – Vietnam Company Limited	**92.27**	92.27
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
Rabiah and Nassar and Zamil Concrete Industrial Co. Ltd – Saudi Arabia	**-**	50
Saudi Preinsulated Pipes Industries Company Limited	**51**	51

1. ORGANIZATION AND ACTIVITIES *(continued)*

Subsidiaries - *(continued)*

The group exercises control on the above mentioned entities and are therefore considered as the subsidiaries of the group.

In 2012, the parent company acquired a controlling interest in an existing investee company, Zamil Air Conditioner India Private Limited (formerly known as Advantec Coils (Pvt) Ltd., India) , which has become a wholly owned subsidiary effective January 1, 2012. The operations of Zamil Air Conditioner India Private Limited with a carrying value of net assets amounting to SR 23.2 million as at January 1, 2012 have been consolidated in the consolidated financial statements resulting in an initial goodwill recognition of SR 36.9 million after translation loss effect. Based on additional information obtained and after purchase price allocation to the identifiable assets of the acquiree, the Goodwill has been adjusted down to SR 26.3 million. During the year, the Company has recorded a further impairment loss of SR 14.9 million (2013: SR 11.4 million) against the goodwill considering the market conditions in India and the depreciation of Indian rupee resulting in the goodwill being fully impaired.

In 2011, Second Insulation Company, a wholly owned subsidiary of the parent Company, acquired a 51% controlling interest in Gulf Insulation Group ("GIG"), a Saudi closed joint stock company registered in Saudi Arabia. GIG has the following subsidiaries and associate:

	Ownership of GIG %	
	2014	2013
Saudi Preinsulated Pipes Industries Company Limited (SPPI)	**-**	100%
First Insulation Company Limited (FIC)	**100%**	100%
Saudi Rockwool Factory Company (SRWF)	**100%**	-
Arabian Fiberglass Insulation Company Limited (AFICO)	**51%**	51%
Armacell Zamil Middle East Company Limited	**-**	49%

In 2014, all the shareholders of GIG, a subsidiary of the parent company, entered into an agreement ("the agreement") to transfer the entire shareholding of SPPI to its shareholders effective January 1, 2014 at its carrying value of SR 24.63 million. GIG declared a dividend of SR 24.63 million in kind and as a result transferred its investment in SPPI to its shareholders. Legal formalities associated with the change in ownership are still under process as of year-end. Further, the change in structure of the ownership in SPPI resulted in accounting for SPPI (formerly a subsidiary of GIG up to December 31, 2013) as a subsidiary of the parent company effective January 1, 2014 at carrying value of its net assets of SR 24.63 million.

The Riyadh branch of GIG with CR# 1010279603 dated 24-01-1431H was converted into a limited liability company under the name of Saudi Rockwool Factory Company (SRWF). The assets and liabilities of the branch along with the assets and liabilities relating to the rock wool manufacturing activities of the GIG worth of SR 109.22 million have been transferred to the SRWF effective January 1, 2014.

During the year, GIG has disposed off its 49% investment in an associate, Armacell Zamil Middle East Company Limited, effectively May 31, 2014 for a consideration of SR 22.5 million and recognized a gain of SR 14.08 million. Legal formalities associated with the transfer of ownership were in process at the year-end.

The parent company's investment in Eastern District Cooling Company Limited ("EDCC"), has been consolidated effective January 1, 2013 as EDCC started its commercial operations in 2013 and the net assets of EDCC as at December 31, 2012 was SR 72.67 million as detailed below:

	SR 000
Cash and cash equivalent	**1,000**
Accounts receivables, prepayments and other current assets	**7,741**
Long term lease receivable	**443,127**
Total assets	**451,868**
Less: Accounts payable and accruals	**379,202**
Net assets of subsidiaries acquired at January 1, 2013	**72,666**

1. ORGANIZATION AND ACTIVITIES *(continued)*

In 2013, Zamil Steel, Polska – Poland, a wholly owned subsidiary of the Company was liquidated.

During the year, the parent company has lost its control in Rabiah and Nassar and Zamil Concrete Industrial Co. Ltd (RANCO) (formerly a subsidiary of the parent company with 50% holding) and the investee company has been de-consolidated effective October 1, 2014 and recognized as an investment in associate using the equity method.

	SR 000
Cash and cash equivalents	**18,591**
Accounts receivable and prepayments	**125,689**
Inventories	**25,633**
Property, plant and equipment	**169,216**
Total assets	**339,129**
Less: Notes and accounts payable, accruals and provisions	**131,366**
Murabaha and tawarruq finances	**72,941**
Current portion of long term loans	**4,671**
Long term payables	**67,700**
Employees' terminal benefits	**16,620**
Net assets of subsidiary de-consolidated as at October 1, 2014	**45,831**

During the year, the parent company acquired a controlling interest in an existing investee company, Saudi Central Energy Company, for a consideration of its carrying value of SR 0.35 million and the investee company has been consolidated effective January 1, 2014 with following net assets:

	SR 000
Cash and cash equivalents	**1,000**
Less: Notes and accounts payable, accruals and provisions	**280**
Net assets of subsidiary acquired as at January 1, 2014	**720**

During the year, the parent company transferred its direct shareholding of 65% in Canam Asia Limited to one of its subsidiaries, Zamil Steel Holding Company. Further the status of Canam Asia Limited was also changed from limited liability company to a branch under Zamil Steel Holding Company. The operating results of this branch has been combined in financial results of Zamil Steel Holding Company.

Some of the parent company's shares in the above subsidiaries, are 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. SUMMARY OF 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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.

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 consolidated 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.

Net investment in finance lease
Leases in which the Group transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments which is included in the consolidated financial statements as "net investment in finance lease".

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 interests in the acquiree either at fair value or at the proportionate share of the acquirer'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 the group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of income.

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

Where goodwill forms part of a cash-generating unit 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. When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the consolidated statement of income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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.

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

	Years
Buildings on leasehold land	20 - 40
Plant, equipment, furniture, fixtures and vehicles	2 - 20

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

Permanent impairment of non-current assets
At each balance sheet date, the group reviews the carrying values of property, plant and equipment and other non-current assets to determine whether there is any indication that those assets have suffered impairment. If such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of impairment (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.

The carrying value of the asset (or cash-generating unit) is reduced to the recoverable value when the recoverable value is below the carrying value. Impairment loss is recognized as expense when incurred.

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.

Where an impairment loss subsequently reverses, the carrying value of the asset (or cash-generating unit) other than goodwill 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 (or cash-generating unit) in prior years. The reversal of impairment loss other than goodwill is recognized as income once identified.

Deferred charges
Expenses which have a long term future benefit are treated as deferred charges and principally comprises of pre-operating expenses, software cost and right of use of leased land. Pre-operating expenses comprise of expenses incurred prior to commencement of commercially viable production which is expected to provide benefits in future periods. These costs also include plants testing and commissioning costs net off any proceeds from sale of off-spec production during the testing phase. Deferred charges except right of use of land are amortised over the estimated periods of benefit not exceeding five years. The right of use of leased land is amortized over the lease period using the straight-line method.

Warranties
Amounts are provided 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 directly to the consolidated statement of income. The zakat charge and income tax, assessable on the non-controlling stockholders is included in non-controlling interests.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 long term contracts, revenue is recognized when the outcome of the contract can be estimated reliably 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 that costs incurred to date bear to the estimated total costs of a contract. When the current estimate of total contract costs and revenues indicate a loss, provision is made for the entire loss on the contract irrespective of the amount of work done. When the outcome of a contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that is probable will be recoverable and contract costs is recognized as an expense in the period in which they are incurred. This method is often referred to as the zero profit method.

Value of work executed in excess of progress billings are disclosed under accounts receivable and prepayments in the consolidated balance sheet. Whereas billings in excess of value of work executed 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 statement of income.

Earnings per share
Earnings per share are computed by dividing net income for the year by the weighted average number of shares outstanding during the year ended December 31, 2014 of 60 million shares (2013: 60 million shares).

Earnings per share from the continuing main operations are computed by dividing the operating income adjusted with zakat and tax, finance charges, net share of profit in associates and non-controlling interests for the year by the weighted average number of shares outstanding.

Earnings per share from other operations are computed by dividing the other income for the year by the weighted average number of shares outstanding.

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 finance 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

Cash and cash equivalents include cash and bank balances, demand deposits, and highly liquid investments with original maturities of three months or less. At December 31, 2014 and 2013, cash and cash equivalents consists of following:

	2014 SR 000	2013 SR 000
Cash and bank balances	**283,994**	238,563
Time deposits	**25,727**	29,994
	309,721	268,557

4. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2014 SR 000	2013 SR 000
Trade accounts and notes receivable	**1,511,618**	1,585,216
Prepaid expenses	**51,638**	43,315
Retentions receivable	**46,558**	36,317
Advances, deposits and other receivables	**194,732**	218,205
Value of work executed in excess of billings	**330,714**	356,112
	2,135,260	2,239,165

5. INVENTORIES

	2014 SR 000	2013 SR 000
Materials, supplies and stores	**1,017,977**	1,113,931
Work-in-progress	**105,231**	165,945
Finished goods	**362,723**	545,999
Goods-in-transit	**111,340**	124,859
	1,597,271	1,950,734

6. INVESTMENTS

	2014 SR 000	2013 SR 000
Investment in associates	**160,248**	122,266
Other investments	**46,586**	46,586
	206,834	168,852

6. INVESTMENTS *(continued)*

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

1. In 2013, the parent company sold its investment of 27.5% share in Saudi Aerated Concrete Industries Company, a Saudi limited liability company, and recognized a gain of SR 0.22 million.

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.

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 was controlled by Energy Central Company B.S.C. (Bahrain) and was therefore considered as an associate of the group.

   During the year, the parent company acquired controlling interest in Saudi Central Energy Company which has become a wholly owned subsidiary and consolidated effective January 1, 2014 at a carrying value of SR 0.35 million.

4. 49% share of GIG holding in Armacell Zamil Middle East Company Limited. The principal activities of the Company are to manufacture rubber adhesive, foam rubber insulation and related accessories and sundries. During the year, GIG has disposed off its 49% investment in Armacell Zamil Middle East Company Limited effectively May 31, 2014 for a consideration of SR 22.5 million and recognized a gain of SR 14.08 million. Legal formalities associated with the transfer of ownership were in process at the year-end.

5. 51% share in Zamil Infra Private Limited. 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.

6. 20.83% 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. In 2012, 45% shares in Geoclima S.r.l was disposed off out of 85% share held as at December 31, 2011 and therefore, Geoclima S.r.l. deconsolidated during 2012 and remaining 40% shares in Geoclima S.r.l. is recognized as an investment in associates.

8. During the year, the parent company has lost its control in Rabiah and Nassar and Zamil Concrete Industrial Co. Ltd (RANCO) (formerly a subsidiary of the parent company with 50% holding) and the investee company has been de-consolidated effective October 1, 2014 and recognized as investment in associate using equity method (note 10). 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 products.

6. INVESTMENTS *(continued)*

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

	2014 SR 000	2013 SR 000
Working capital	**106,587**	106,733
Other assets - net of liabilities	**182,640**	138,000
Net assets	**289,227**	244,733
The group's equity in net assets	**136,368**	122,266
Revenue	**365,638**	290,157
Net profit	**2,388**	2,057
The group's share of profit	**902**	1,564

Other investments comprise of 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.

7. NET INVESTMENT IN FINANCE LEASE

Eastern District Cooling Company ("EDCC"), a subsidiary of the parent company, has entered into a Energy Performance Contract wherein it has agreed to design, construct, own, operate and maintain a District Cooling Plant (DCP) at the plant premises of a customer for a fixed term as stipulated in the contract. At the end of the contract term, the ownership of the DCP will be transferred to the customer. Under the agreement, the customer has to make monthly payments to EDCC over the contract term. This agreement has been considered as a finance lease under IFRIC-4 and SOCPA and the total estimated minimum lease payments will be SR 616.9 million at December 31, 2014 (2013: SR 654.5 million).

Net investment in finance lease comprises of the following:

	2014 SR 000	2013 SR 000
Minimum lease payments (gross investment in lease)	**616,945**	654,522
Less: unearned income	**172,253**	191,543
Net finance lease receivables	**444,692**	462,979
Less: current portion	**19,078**	18,287
Non-current portion	**425,614**	444,692

7. NET INVESTMENT IN FINANCE LEASE*(continued)*

Minimum lease payments under finance lease are as follows:

	2014 SR 000	2013 SR 000
Within one year	**37,578**	37,578
Year two	**37,578**	37,578
Year three	**37,578**	37,578
Year four	**37,578**	37,578
Year five	**37,578**	37,578
Later than five years	**429,055**	466,632
	616,945	654,522

Finance lease income earned during the year was SR 19.3 million (2013: SR 14.9 million). The total finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding with respect to the lease. The periodic rate of return used by the Company is 4.24% per annum.

8. PROPERTY, PLANT AND EQUIPMENT

	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 2014 SR 000**	Total 2013 SR 000
Cost:						
January 1	92,634	836,511	1,620,572	488,881	3,038,598	2,957,790
Additions	-	**17,298**	**84,028**	**40,112**	**141,438**	192,147
Disposals	-	**(17,562)**	**(32,595)**	**(2,100)**	**(52,257)**	(83,475)
De-consolidation of subsidiary (note 1)	-	**(56,867)**	**(86,384)**	**(132,554)**	**(275,805)**	-
Adjustments	-	**10,159**	**(18,951)**	**8,792**	**-**	-
Transfers	-	**89,442**	**281,710**	**(371,152)**	**-**	(1,823)
Reclassification (note 9)	-	**-**	**3,017**	**-**	**3,017**	-
Translation loss	**(256)**	**(490)**	**(5,450)**	**(18)**	**(6,214)**	(26,041)
December 31	**92,378**	**878,491**	**1,845,947**	**31,961**	**2,848,777**	3,038,598
Depreciation:						
January 1	-	364,452	1,065,761	-	1,430,213	1,364,900
Charge for the year	-	**37,411**	**118,622**	-	**156,033**	**139,141**
Disposals	-	**(17,128)**	**(29,701)**	-	**(46,829)**	**(64,331)**
De-consolidation of subsidiary (note 1)	-	**(33,554)**	**(73,035)**	-	**(106,589)**	-
Adjustments	-	**97**	**(97)**	-	-	-
Transfers	-	**(1,769)**	**1,769**	-	-	**(1,112)**
Reclassification (note 9)	-	**-**	**2,263**	-	**2,263**	-
Translation loss	-	**(306)**	**(1,992)**	-	**(2,298)**	**(8,385)**
December 31	-	**349,203**	**1,083,590**	-	**1,432,793**	1,430,213
Net book value						
At 31 December 2014	**92,378**	**529,288**	**762,357**	**31,961**	**1,415,984**	-
At 31 December 2013	92,634	472,059	554,811	488,881	-	1,608,385

8. PROPERTY, PLANT AND EQUIPMENT ***(continued)***

Capital work-in-progress represents mainly the cost incurred in respect of new building, expansion, upgrading of production facilities, new production line under construction, plant and equipment acquired for general modernisation for Zamil Air Conditioners (Saudi Arabia), Gulf Insulation Group (Saudi Arabia) and its subsidiaries, Zamil Structure Steel – Egypt and for other subsidiaries.

Certain property plant and equipment of the consolidated subsidiaries are mortgaged as a security against the loans obtained from the financial institutions (see note 16).

9. DEFERRED CHARGES

	2014 SR 000	2013 SR 000
At the beginning of the year	**8,330**	7,479
Incurred during the year	**14,646**	1,701
Reclassified (note 8)	**(754)**	(509)
Amortised during the year	**(1,296)**	(341)
At the end of the year	**20,926**	8,330

SIDF front end fees, deducted from loans by Saudi Industrial Development Fund ("SIDF") loans, have been reclassified as part of term loans (note 16).

10. GOODWILL

	2014 SR 000	2013 SR 000
Goodwill recognized on acquiring subsidiaries	**110,706**	158,543

At the December 31, 2011, purchase consideration exceeded net book value of Gulf Insulation Group ("GIG") by SR 114 million. The group's management allocated the consideration paid to the respective assets based on the additional information obtained during the measurement period and the resultant amount was reduced from the goodwill of the Group amounting to SR 27.8 million. Goodwill amounting to SR 24.5 million was paid for acquisition of 51% shares in AFICO in prior years.

In 2012, the Company acquired additional 70% shares in Zamil Air Conditioner India Private Limited (formerly known as Advantec Coils (Pvt) Ltd., India) that resulted in an initial recognition of goodwill amounting to SR 36.9 million after translation loss effect. Based on additional information obtained and after purchase price allocation to the identifiable assets of the acquiree, the Goodwill has been adjusted down to SR 26.3 million. During the year, the Company has recorded an impairment loss of SR 14.9 million (2013: SR 11.4 million) against the goodwill considering the market condition in India and the depreciation of Indian rupee resulting in the goodwill being fully impaired.

On de-consolidation of RANCO with effect from October 1, 2014 (note 1), originally goodwill amounting to SR 32.9 million was accounted as part of investment in associate using equity method (note 6). Further the Company has recorded an impairment loss of SR 9.0 million against the goodwill considering the loss of control and future expected performance of RANCO.

11. 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:

	2014 SR 000	2013 SR 000
Companies affiliated to Al Zamil Group:		
Purchase of goods and services	**61,414**	99,557
Sale of goods and services	**(8,238)**	(11,963)

The group also paid SR 4.8 million (2013: SR 5.7 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 (2013: 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.

12. NOTES AND ACCOUNTS PAYABLE, ACCRUALS AND PROVISIONS

	2014 SR 000	2013 SR 000
Trade accounts and notes payable	**355,554**	387,222
Accrued contractual costs	**228,622**	174,663
Accrued expenses and provisions	**419,622**	435,472
Zakat provision (note 13)	**43,637**	50,639
Billings in excess of value of work executed	**80,726**	80,308
	1,128,161	1,128,304

13. ZAKAT

The zakat charge for the year consists of:

	2014 SR 000	2013 SR 000
Current year provision	**26,258**	22,608

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

	2014 SR 000	2013 SR 000
Equity	**1,496,160**	1,337,604
Opening provisions and other adjustments	**405,100**	363,943
Book value of long term assets net of long term liabilities	**(1,389,428)**	(1,567,192)
	511,832	134,355
Zakatable profit for the year	**350,968**	295,669
Zakat base	**862,800**	430,024

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.

13. ZAKAT *(continued)*

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

The movement in the zakat provision was as follows:

	2014 **SR 000**	2013 SR 000
At the beginning of the year	**50,639**	38,196
Provided during the year	**26,258**	22,608
De-consolidation of a subsidiary (note 1)	**(1,123)**	-
Consolidation of a subsidiary (note 1)	**104**	-
Payments during the year	**(32,241)**	(10,165)
At the end of the year	**43,637**	50,639

Status of assessments

Zakat assessments have been agreed with the Department of Zakat and Income Tax (the DZIT) up to 2012. The 2013 assessments is under the DZIT's review.

14. MURABAHA AND TAWARRUQ FINANCES

Murabaha and tawarruq finances 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.

15. 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.

16. TERM LOANS

	2014 **SR 000**	2013 SR 000
Loan No. 1	**93,313**	92,405
Loan No. 2	-	33,280
Loan No. 3	**8,235**	24,706
Loan No. 4	**45,063**	76,597
Loan No. 5	**-**	35,160
Loan No. 6	**19,000**	-
Loan No. 7	**400,000**	-
	565,611	262,148
Less: current portion	**(156,463)**	(97,410)
SIDF front end fees	**(5,233)**	(7,080)
	403,915	157,658

Loan No. 1 represents the loans obtained by Zamil Steel Holding Company, Building Component Solutions and Arabian Fiberglass Insulation Company Limited from Saudi Industrial Development Fund ("SIDF"). These loans carry appraisal fees which are being amortised over the terms of the loans and are repayable in semi-annual unequal instalments, the last being payable on 15/10/1439H (corresponding to 29 June 2018). At 31 December 2014, the SIDF loans outstanding were SR 93.3 million before adjusting SIDF front end fees (2013: SR 92.4 million) including current portion of SR 26.1 million (2013: SR 29 million). The loans are secured by mortgage over the property, plant and equipment of the consolidated subsidiaries. The loans agreements also contain certain covenants in respective of maintenance of financial ratios.

Loan No. 2 represents a loan obtained by the parent company amounting to SR 100 million from a local bank. At 31 December 2014, the outstanding loan was SR nil (2013: SR 33.3 million) including a current portion of nil (2013: SR 33.3 million). The loan was payable in half yearly equal instalments. During the year, the parent company has repaid the loan in full.

Loan No. 3 represents the loan amounting to SR 40 million from a local bank obtained by Arabian Fiberglass Insulation Company Limited, a subsidiary of Gulf Insulation Group. At 31 December 2014, the loan outstanding was SR 8.2 million (2013: SR 24.7 million) including current portion of SR 8.2 million (2013: SR 16.5 million). The loan is repayable in 34 equal monthly instalments.

Loan No. 4 represents bridge loans and medium term loan obtained by Gulf Insulation Group. The management classified the bridge loans as non-current liabilities in the consolidated financial statement as GIG committed to bridge these loans with SIDF loans. During the year, a bridge loan of SR 25 million as of December 31, 2013 has been transferred and shown separately under SPPI due to de-consolidation of SPPI from GIG (note 1). Further bridge loans and medium term loan of SR 51.6 million as of December 31, 2013 were transferred to new converted subsidiary, SRWF (note 1). Medium term loan is payable in 16 equal quarterly instalments. Bridge loan was restructured and is payable in 16 equal quarterly instalments. At 31 December 2014, the loan outstanding was SR 45.1 million (2013: SR 76.6 million) including current portion of SR 13.7 million (2013: SR 6.3 million).

Loan No. 5 represents various loans obtained by Rabiah-Nassar and Zamil Concrete Industries Company Limited, a former subsidiary, from a local commercial bank for its working capital and capital expenditure requirements. During the year, the loan amount has been derecognized due to de-consolidation of RANCO (note 1).

Loan No. 6 represents bridge loan obtained by SPPI through GIG to finance the construction of a new factory. The outstanding balance of SR 25 million as of December 31, 2013 appearing as part of Loan No. 4 has been transferred and shown separately under SPPI due to de-consolidation of SPPI from GIG (note 1). During the year, bridge loan was converted into medium term loan which is payable in 36 unequal monthly instalments. At 31 December 2014, the outstanding loan was SR 19 million including a current portion of SR 8.4 million. The loan carries finance charges at commercial rate.

Loan No. 7 represents a loan obtained by the parent company amounting to SR 500 million from a local bank to finance its working capital requirements. The loan carries finance charges at commercial rate. At 31 December 2014, the outstanding loan was SR 400 million including a current portion of SR 100 million. The loan is payable in 10 semi-annual equal instalments.

Loan instalments due in 2015 are shown as current liabilities.

17. SHARE CAPITAL

The share capital of the parent company amounting to SR 600 million (2013: SR 600 million) is divided into 60 million shares of SR 10 each (2013: 60 million share of SR 10 each).

18. PROPOSED CASH DIVIDENDS

In 2014, the parent company paid a cash dividend of SR 1 per share totalling SR 60 million for the year 2013 (2013 – SR 0.75 per share totalling SR 45 million for the year 2012).

In 2014, the parent company also paid an interim dividend of SR 1 per share totalling SR 60 million for the year 2014 (2013 – Interim dividend of SR 0.75 per share totalling SR 45 million).

The board of directors have proposed a final cash dividend of SR 1.00 per share for the year 2014 totalling SR 60 million being 10% of the share capital (2013: SR 1 per share totalling SR 60 million being 10% of the share capital) for the approval of the stockholders in their annual general assembly.

19. NON-CONTROLLING INTERESTS

Non-controlling interests are as follows:

	2014 %	2013 %
Zamil Hudson Company Ltd.	**50**	50
Petro-Chem Zamil Company Limited	**50**	50
Rabiah and Nassar & Zamil Concrete Industrial Company Limited (note 1)	**-**	50
Middle East Airconditioners Company Limited	**49**	49
Gulf Insulation Group	**49**	49
Saudi Preinsulated Pipes Industries Company Limited (SPPI) (note 1)	**49**	-
Zamil Steel Buildings - Vietnam Company Limited	**7.73**	7.73

20. SELLING AND DISTRIBUTION EXPENSES

	2014 SR 000	2013 SR 000
Employee costs	**262,696**	254,029
Advertising and sales promotion	**51,693**	50,112
Services	**30,940**	23,605
Rent and utilities	**11,214**	7,248
Transportation, business travel and entertainment	**68,026**	73,655
Warranty	**25,211**	42,093
Depreciation	**12,575**	10,751
Repairs and maintenance	**2,072**	1,620
Provision for doubtful debts	**34,276**	14,939
Others	**22,578**	21,214
	521,281	499,266

21. GENERAL AND ADMINISTRATION EXPENSES

	2014 SR 000	2013 SR 000
Employee costs	**296,612**	291,079
Depreciation	**21,345**	16,170
Services	**61,278**	70,911
Supplies	**4,194**	2,501
Others	**22,195**	23,859
	405,624	404,520

22. OTHER INCOME, NET

	2014 SR 000	2013 SR 000
Exchange loss	**(4,577)**	(3,301)
Gain (loss) on sale of investments (note 6)	**14,080**	(369)
Dividend income	**2,140**	1,784
Loss on disposal of property, plant and equipment	**(467)**	(536)
Others	**7,830**	14,239
	19,006	11,817

23. FINANCIAL CHARGES

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

24. SEGMENTAL ANALYSIS

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

	Revenue SR 000		Operating income (loss) SR 000		Net assets SR 000	
	2014	2013	**2014**	2013	**2014**	2013
Air conditioner industry	**2,463,798**	2,228,380	**219,612**	190,874	**761,828**	641,861
Steel industry	**2,535,521**	2,697,288	**194,580**	204,482	**983,613**	927,603
Insulation	**292,932**	298,649	**30,783**	30,607	**125,978**	100,118
Head office and others	**163,168**	189,667	**(39,100)**	(23,276)	**(128,899)**	(61,040)
	5,455,419	5,413,984	**405,875**	402,687	**1,742,520**	1,608,542

(b) Analysis of revenue, and operating income by geographical location:

	Revenue SR 000		Operating income (loss) SR 000	
	2014	2013	**2014**	2013
Saudi Arabia:				
Local sales	**4,013,077**	3,970,935	**306,200**	303,083
Export sales	**515,939**	508,352	**43,295**	40,585
Total sales of Saudi Arabia	**4,529,016**	4,479,287	**349,495**	343,668
Other Asian countries	**581,746**	611,791	**24,892**	42,454
Africa	**334,430**	310,270	**31,402**	17,074
Europe	**10,227**	12,636	**86**	(509)
	5,455,419	5,413,984	**405,875**	402,687

25. CONTINGENT LIABILITIES

The group's bankers have issued, on behalf of the group, performance bonds in respect of certain contracts and letters of credit amounting to SR 1,123 million (2013: SR 1,170 million) and SR 166 million (2013: SR 122 million) respectively.

26. CAPITAL COMMITMENTS

The directors have approved future capital expenditure amounting to SR 52 million (2013: SR 87.72 million).

27. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

28. 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 days of the date of sale. Trade payables are normally settled within 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.

29. SUPPLEMENTAL CASH FLOW INFORMATION

	2014 **SR 000**	2013 SR 000
Goodwill re-classified to investment in associate on de-consolidation of a subsidiary (note 1)	**23,880**	-
Net assets of a subsidiary transferred to investment in associate on de-consolidation of the subsidiary (note 1)	**22,916**	-
Receivable on account of disposal of investment in associate (note 1)	**5,625**	-
Consolidation of net assets of associate on de-recognition of investment in associate (note 1)	**(367)**	-
Consideration of a consolidated subsidiary settled through a related party	**(353)**	-
Directors' remuneration credited to accruals	**(2,000)**	(2,000)
Capitalisation of front end fee	**-**	1,220

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 bank balances and cash, receivables and amounts due from related parties and affiliates and its financial liabilities consist of murabaha, 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 2013 have been reclassified to conform with the presentation in the current year.