

**ZAMIL INDUSTRIAL INVESTMENT COMPANY
AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2014**

ZAMIL INDUSTRIAL INVESTMENT COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2014

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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



ZAMIL INDUSTRIAL INVESTMENT COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

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

ZAMIL INDUSTRIAL INVESTMENT COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2014

	Note	2014 SR 000	2013 SR 000
Net sales	11,24	5,436,128	5,399,103
Income from finance lease	7	19,291	14,881
Total revenue		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

ZAMIL INDUSTRIAL INVESTMENT COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

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

ZAMIL INDUSTRIAL INVESTMENT COMPANY AND SUBSIDIARIES
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CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2014

	Share capital SR	Statutory reserve SR	Retained earnings SR	Proposed cash dividends SR	Unrealised loss on investment SR	Translation loss on consolidation SR	Total SR
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

ZAMIL INDUSTRIAL INVESTMENT COMPANY AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

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
Ikhtebare – 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	100

ZAMIL INDUSTRIAL INVESTMENT COMPANY AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

1. ORGANIZATION AND ACTIVITIES (Continued)

Subsidiaries: (Continued)	Effective ownership percentage	
	2014	2013
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 Nasser and Zamil Concrete Industrial Co. Ltd – Saudi Arabia	-	50
Saudi Preinsulated Pipes Industries Company Limited	51	51

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%
Armaceil 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.

ZAMIL INDUSTRIAL INVESTMENT COMPANY AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

1. ORGANIZATION AND ACTIVITIES (Continued)

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 rockwool 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:

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

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 Nasser 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.

	<u>SR 000</u>
Cash and cash equivalents	18,591
Accounts receivable and prepayments	125,689
Inventories	25,633
Property, plant and equipment	<u>169,216</u>
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	<u>16,620</u>
Net assets of subsidiary de-consolidated as at October 1, 2014	<u>45,831</u>

ZAMIL INDUSTRIAL INVESTMENT COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

1. ORGANIZATION AND ACTIVITIES (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

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:

	<u>Years</u>
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.

ZAMIL INDUSTRIAL INVESTMENT COMPANY AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

ZAMIL INDUSTRIAL INVESTMENT COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

ZAMIL INDUSTRIAL INVESTMENT COMPANY AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

5. INVENTORIES

	2014	2013
	SR 000	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
	<u>1,597,271</u>	<u>1,950,734</u>

6. INVESTMENTS

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

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

6. INVESTMENTS (Continued)

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 Nasser 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.

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	<u>289,227</u>	<u>244,733</u>
The group's equity in net assets	<u>136,368</u>	122,266
Revenue	<u>365,638</u>	290,157
Net profit	<u>2,388</u>	2,057
The group's share of profit	<u>902</u>	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	<u>172,253</u>	191,543
Net finance lease receivables	444,692	462,979
Less: current portion	<u>19,078</u>	18,287
Non-current portion	<u>425,614</u>	444,692

ZAMIL INDUSTRIAL INVESTMENT COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

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

ZAMIL INDUSTRIAL INVESTMENT COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

13. ZAKAT (Continued)

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

16. TERM LOANS (Continued)

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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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 Nasser & 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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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24. SEGMENTAL ANALYSIS (Continued)

(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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

28. RISK MANAGEMENT (Continued)

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

30. 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 murabah, short term loans, term loans, notes and payables and amounts due to related parties and affiliates.

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

31. COMPARATIVE FIGURES

Certain figures for 2013 have been reclassified to conform with the presentation in the current year.