

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2003

AUDITORS' REPORT TO THE SHAREHOLDERS OF ZAMIL INDUSTRIAL INVESTMENT COMPANY (JOINT STOCK COMPANY)

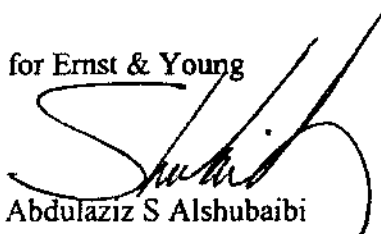
We have audited the accompanying consolidated balance sheet of Zamil Industrial Investment Company (the parent company - Joint Stock Company) and its subsidiaries as at 31 December 2003 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the management of the parent company and have been prepared by them in accordance with the provision of Article 123 of the Regulation for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

In our opinion, the consolidated financial statements taken as a whole:-

- i) present fairly, in all material respects, the consolidated financial position of the parent company and its subsidiaries as at 31 December 2003 and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) comply with the requirements of the Regulations for Companies and the parent company's articles of association in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young

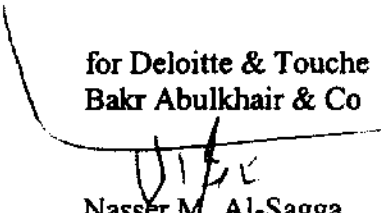

Abdulaziz S Alshubaibi
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Registration No. 339

1 Muharram 1425H
21 February 2004

Alkhobar



for Deloitte & Touche
Bakr Abulkhair & Co


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Certified Public Accountant
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Zamil Industrial Investment Company (Joint Stock Company) and its Subsidiaries

CONSOLIDATED BALANCE SHEET

As At 31 December 2003

	Note	2003 SR 000	2002 SR 000
ASSETS EMPLOYED			
PROPERTY, PLANT AND EQUIPMENT	3	312,323	264,576
INVESTMENT	1	-	1,950
GOODWILL ON ACQUISITION	4	5,354	5,654
DEFERRED CHARGES	5	20,537	32,392
CURRENT ASSETS			
Inventories	6	519,541	427,472
Accounts receivable and prepayments	7	501,653	448,911
Amounts due from related parties	8	6,947	5,248
Bank balances and cash		60,581	76,027
		<u>1,088,722</u>	<u>957,658</u>
CURRENT LIABILITIES			
Accounts payable and accruals	9	724,283	592,837
Amounts due to related parties	8	5,073	4,205
Advances from customers		42,303	29,969
Bank overdrafts		4,229	3,565
Short term loans	10	64,841	83,199
Current portion of term loans	14	18,516	14,339
		<u>859,245</u>	<u>728,114</u>
NET CURRENT ASSETS		<u>229,477</u>	<u>229,544</u>
		<u>567,691</u>	<u>534,116</u>
FUNDS EMPLOYED			
SHAREHOLDERS' EQUITY			
Share capital	12	300,000	300,000
Statutory reserve	13	44,927	39,906
Retained earnings		35,049	58,860
Proposed cash dividends	15	18,000	36,000
Proposed stock dividends	15	50,000	-
Translation loss on consolidation		(10,727)	(10,070)
		<u>437,249</u>	<u>424,696</u>
MINORITY INTERESTS	16	<u>10,122</u>	<u>9,309</u>
		<u>447,371</u>	<u>434,005</u>
NON CURRENT LIABILITIES			
Term loans	14	62,346	51,513
Long term payables		1,381	1,211
Employees' terminal benefits		56,593	47,387
		<u>120,320</u>	<u>100,111</u>
		<u>567,691</u>	<u>534,116</u>

The attached notes 1 to 24 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF INCOME

Year Ended 31 December 2003

	Note	2003 SR 000	2002 SR 000
Net sales		1,503,138	1,406,064
Cost of sales		1,333,397	1,108,070
GROSS PROFIT		327,841	297,994
EXPENSES			
Selling and distribution	17	149,347	136,937
General and administration	18	103,105	90,313
Amortisation of goodwill on acquisition	4	300	288
Amortisation of deferred charges	5	14,097	10,401
		266,849	237,939
INCOME FROM MAIN OPERATIONS		60,992	60,055
Other income	19	20,487	13,373
Provision no longer required		-	3,501
Financial charges		(21,087)	(22,058)
INCOME BEFORE ZAKAT, TAXES AND MINORITY INTERESTS		60,392	54,871
Foreign taxes		(790)	(231)
Net minority interests in results of subsidiaries		(3,372)	(3,851)
INCOME BEFORE ZAKAT		56,230	50,789
Zakat	11	6,020	5,406
NET INCOME FOR THE YEAR		50,210	45,383
Earning per share (Saudi Riyals)		8.36	7.56

The attached notes 1 to 24 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2003

	<i>Note</i>	2003 SR 000	2002 SR 000
OPERATING ACTIVITIES			
Consolidated income before zakat, taxes and minority interests		66,392	54,871
Adjustments for:			
Depreciation	3	42,111	43,666
Profit on sale of property, plant and equipment		(35)	(25)
Amortisation of deferred charges	5	14,097	10,401
Amortisation of goodwill on acquisition	4	300	288
		116,865	109,201
Changes in operating assets and liabilities:			
Inventories		(92,069)	(29,759)
Receivables		(54,441)	(79,987)
Payables		144,194	117,333
Cash from operations		114,549	116,788
Employees' terminal benefits, net		9,206	6,314
Zakat and foreign taxes paid		(7,186)	(6,192)
Net cash from operating activities		116,569	116,910
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(90,574)	(41,577)
Proceeds from sale of property, plant and equipment		751	1,251
Deferred charges	5	(2,242)	(13,873)
Investment in a subsidiary		1,950	(1,950)
Goodwill incurred during the year		-	(732)
Net cash used in investing activities		(90,115)	(56,881)
FINANCING ACTIVITIES			
Bank overdrafts		664	1,085
Dividends paid		(36,000)	(30,000)
Term loans obtained		29,349	29,534
Repayment of term loans		(14,339)	(26,620)
Change in short term loans		(18,358)	(3,391)
Minority interests, net		(2,559)	(1,371)
Net cash used in financing activities		(41,243)	(30,763)
(DECREASE)/INCREASE IN CASH		(14,789)	29,266
Cash at the beginning of the year		76,027	44,153
Movement in translation difference - net		(657)	2,608
CASH AT THE END OF THE YEAR		60,581	76,027

The attached notes 1 to 24 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Year Ended 31 December 2003

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Proposed cash dividends</i>	<i>Proposed stock dividends</i>	<i>Translation loss on consolidation</i>	<i>Total</i>
	<i>SR 000</i>	<i>SR 000</i>	<i>SR 000</i>	<i>SR 000</i>	<i>SR 000</i>	<i>SR 000</i>	<i>SR 000</i>
Balance at 31 December 2001, as previously reported	300,000	35,368	56,766	30,000	-	(5,501)	416,633
Prior year adjustment (note 20)	-	-	(1,751)	-	-	-	(1,751)
Balance at 31 December 2001 – restated	300,000	35,368	55,015	30,000	-	(5,501)	414,882
Consolidated net income for the year	-	-	45,383	-	-	-	45,383
Transfer to statutory reserve	-	4,538	(4,538)	-	-	-	-
Directors' remuneration	-	-	(1,000)	-	-	-	(1,000)
Dividends paid	-	-	-	(30,000)	-	-	(30,000)
Dividends proposed (note 15)	-	-	(36,000)	36,000	-	-	-
Movement during the year	-	-	-	-	-	(4,569)	(4,569)
Balance at 31 December 2002	300,000	39,906	58,860	36,000	-	(10,070)	424,696
Consolidated net income for the year	-	-	50,210	-	-	-	50,210
Transfer to statutory reserve	-	5,021	(5,021)	-	-	-	-
Directors' remuneration	-	-	(1,000)	-	-	-	(1,000)
Dividends paid	-	-	-	(36,000)	-	-	(36,000)
Cash dividends proposed (note 15)	-	-	(18,000)	18,000	-	-	-
Stock dividends proposed (note 15)	-	-	(50,000)	-	50,000	-	-
Movement during the year	-	-	-	-	-	(657)	(657)
Balance at 31 December 2003	<u>300,000</u>	<u>44,927</u>	<u>35,049</u>	<u>18,000</u>	<u>50,000</u>	<u>(10,727)</u>	<u>437,249</u>

The attached notes 1 to 24 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2003

1 STATUS AND ACTIVITIES

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

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

The consolidated financial statements include the financial statements of the company's head office, its branches and its subsidiaries as listed below:

Branches:

- Zamil Steel Industries, engaged in the manufacture and erection of steel buildings, transmission line towers and structural steel products.
- Zamil Air Conditioners, engaged in the manufacture and assembly of room and central air conditioners and other related activities.
- Zamil Glass Industries, engaged in the production of glass and mirrors.

Subsidiaries:

	Ownership percentage
Universal Building Systems Limited - Jersey	100
Zamil Steel Buildings Company - Egypt	100
Zamil Steel Building (Shanghai) Company Limited	100
Cooline Europe Holdings GmbH- Austria (Formerly, Universal Airconditioning Technology)	100
Clima Tech Airconditioners GmbH - Austria	100
Zamil Steel, Polska – Poland	100
Zamil Steel Engineering India Private Limited	100
Zamil Steel Buildings - Vietnam Company Limited	90
Geoclima S.r.l. – Italy	85
Canam Asia Limited	65
Middle East Airconditioners Company Limited - Saudi Arabia	51

The company acquired 65% holding in Canam Asia Limited in November 2002. The comparative consolidated amounts do not include the assets and liabilities of Canam Asia Limited as the operations of the company started after 31 December 2002.

2 SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

Entities controlled by the company are classified as subsidiaries and consolidated regardless of the country of their registration. Significant inter-company accounts and transactions are eliminated upon consolidation.

Minority interests principally represent the interest in Zamil Steel Buildings - Vietnam Company Limited, Middle East Airconditioners Company Limited, Canam Asia Limited and Geoclima S.r.l., not held by the company.

Subsidiaries have been consolidated based on their financial statements for the year ended 31 December, with the exception of Middle East Airconditioners Company Limited, whose financial year ends on 30 September.

Accounting convention

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

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary at the date of acquisition. Goodwill is amortised using the straight-line method over a maximum period of 20 years during which benefits are expected to be received.

Property, plant and equipment/depreciation

All property, plant and equipment are recorded at cost. Depreciation is provided on property, plant and equipment at rates calculated to write off the cost of each asset over its expected useful life.

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

Deferred charges

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

Inventories

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

- Raw materials - Purchase cost on weighted average basis.
- Work in progress and finished goods - Cost of direct materials and labour plus attributable overheads.

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.

Jobs in progress

Jobs in progress are stated at direct materials and direct labour cost less progress billings received and receivable.

Warranties

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

Zakat and income tax

Zakat is provided for in accordance with Saudi Arabian fiscal regulations as well as foreign fiscal authorities in which the company's foreign subsidiaries operate. The liabilities are charged direct to the statement of income.

Income tax relates to foreign subsidiaries in their respective countries.

Employees' terminal benefits

Provision is made for amounts payable under the Saudi Arabian Labour Law applicable to employees' accumulated periods of service at the balance sheet date.

Revenue recognition

Net sales represent the invoiced value of goods supplied, services rendered and work executed by the company and its subsidiaries during the year. For central air conditioning jobs, revenue and proportionate profit are recognised when the outcome of the contract can be determined with reasonable certainty on a percentage of completion basis. If losses are foreseen, they are provided for in full.

Expenses

Selling and distribution expenses are those that specifically relate to salesmen, warehousing and delivery vehicles as well as provision for doubtful debts. All other expenses are classified as general and administration expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS-Continued

31 December 2003

2 SIGNIFICANT ACCOUNTING POLICIES - continued

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 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 shareholders' equity.

3 PROPERTY, PLANT AND EQUIPMENT

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

		20 to 40 years		2 to 20 years			
	Buildings on leasehold land	Plant, equipment, furniture, fixtures and vehicles	Capital work in progress	Total 2003	Total 2002		
	<i>Freehold land</i>	<i>Buildings on leasehold land</i>	<i>Plant, equipment, furniture, fixtures and vehicles</i>	<i>Capital work in progress</i>	<i>Total 2003</i>	<i>Total 2002</i>	
	<i>SR 000</i>	<i>SR 000</i>	<i>SR 000</i>	<i>SR 000</i>	<i>SR 000</i>	<i>SR 000</i>	
Cost:							
At the beginning of the year	7,213	205,487	478,630	16,152	707,482	686,017	
Additions	-	3,391	51,642	35,541	90,574	41,577	
Disposals	-	(51)	(10,019)	-	(10,070)	(12,611)	
Transfers	-	8,450	1,414	(9,864)	-	-	
Translation loss	-	(46)	(47)	-	(93)	(7,501)	
At the end of the year	7,213	217,231	521,620	41,829	787,893	707,482	
Depreciation:							
At the beginning of the year	-	108,656	334,250	-	442,906	410,949	
Charge for the year	-	7,612	34,499	-	42,111	43,666	
Disposals	-	-	(9,354)	-	(9,354)	(11,385)	
Translation loss	-	(10)	(83)	-	(93)	(324)	
At the end of the year	-	116,258	359,312	-	475,570	442,906	
Net book amounts:							
At 31 December 2003	7,213	100,973	162,308	41,829	312,323		
At 31 December 2002	7,213	96,831	144,380	16,152		264,576	

Legal formalities to register a plot of land in Egypt with a cost of SR 4.9 million in the company's name are still in progress.

Capital work in progress represents the cost incurred in respect of new building site and plant and machineries acquired for the new lamination line and general modernisation in the plant in progress at the year end.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS-Continued

31 December 2003

4 GOODWILL ON ACQUISITION

	<i>2003</i> <i>SR 000</i>	<i>2002</i> <i>SR 000</i>
At the beginning of the year	5,654	5,210
Goodwill arising on consolidation during the year	-	732
Amortised during the year	<u>(300)</u>	<u>(288)</u>
At the end of the year	<u>5,354</u>	<u>5,654</u>

5 DEFERRED CHARGES

	<i>2003</i> <i>SR 000</i>	<i>2002</i> <i>SR 000</i>
At the beginning of the year	32,392	28,920
Incurred during the year	2,242	13,873
Amortised during the year	<u>(14,097)</u>	<u>(10,401)</u>
At the end of the year	<u>20,537</u>	<u>32,392</u>

6 INVENTORIES

	<i>2003</i> <i>SR 000</i>	<i>2002</i> <i>SR 000</i>
Materials, supplies and stores	196,851	240,366
Work in progress	7,344	15,296
Finished goods	292,086	107,749
Goods in transit	<u>23,260</u>	<u>64,061</u>
	<u>519,541</u>	<u>427,472</u>

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>2003</i> <i>SR 000</i>	<i>2002</i> <i>SR 000</i>
Trade accounts and notes receivable	424,921	384,462
Prepaid expenses	20,715	13,488
Retentions receivable	16,976	9,889
Advances, deposits and other receivables	<u>39,041</u>	<u>41,072</u>
	<u>501,653</u>	<u>448,911</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS-Continued

31 December 2003

8 RELATED PARTY TRANSACTIONS AND BALANCES

The following are the details of major related party transactions during the year:

	2003 SR 000	2002 SR 000
Companies affiliated to Al Zamil Group:		
Purchase of goods and services	44,336	34,642
Sale of goods and services	17,449	6,815

The company also paid SR 1.81 million (2002: SR 1.98 million) to certain directors as salary and other benefits in their capacity as executives of the company.

Directors' fee amounted to SR 1 million (2002: SR 1 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.

9 ACCOUNTS PAYABLE AND ACCRUALS

	2003 SR 000	2002 SR 000
Trade accounts payable	172,130	141,302
Notes payable under Morabaha finances	466,664	371,688
Other notes payable	2,956	6,812
Accrued contractual costs	13,732	10,568
Accrued expenses	60,623	52,075
Zakat payable (note 11)	8,178	8,554
Billings in excess of cost of jobs in progress (see below)	-	1,838
	<u>724,283</u>	<u>592,837</u>

Billings in excess of cost of jobs in progress comprises:

Progress billings received and receivable	-	6,001
Cost of jobs in progress	-	(4,163)
	<u>-</u>	<u>1,838</u>

10 SHORT TERM LOANS

Short term loans are for a duration of less than one year with an option to roll over. They carry commission at commercial rates.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS-Continued

31 December 2003

11 ZAKAT

Charge for the year

The zakat charge for the year consists of:

	2003 SR 000	2002 SR 000
Current year provision	6,020	5,406

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

	2003 SR 000	2002 SR 000
Equity	400,976	407,638
Opening provisions and other adjustments	114,825	60,566
Book value of long term assets	(350,435)	(295,974)
	165,366	172,230
Zakatable profit for the year	45,410	61,862
Zakat base	210,776	234,092

The differences between the financial and the zakat results are mainly due to adjustments for certain costs/claims based on the relevant fiscal regulations.

Movements in provision for zakat during the year

The movement in the zakat provision was as follows:

	2003 SR 000	2002 SR 000
At the beginning of the year	8,554	12,610
Provided during the year	6,020	5,406
Provision no longer required	-	(3,501)
Payments during the year	(6,396)	(5,961)
At the end of the year	8,178	8,554

Status of assessments

Zakat assessments have been agreed with the Department of Zakat and Income Tax (DZIT) up to 2002.

12 SHARE CAPITAL

Share capital is divided into 6,000,000 shares of SR 50 each (2002: 6,000,000 shares).

13 STATUTORY RESERVE

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

14 TERM LOANS

	<i>2003</i> <i>SR 000</i>	<i>2002</i> <i>SR 000</i>
Loan No. 1	22,283	23,438
Loan No. 2	2,576	12,975
Loan No. 3	42,560	29,439
Loan No. 4	2,925	-
Loan No. 5	10,518	-
Less: current portion	(18,516)	(14,339)
	<u>62,346</u>	<u>51,513</u>

Loan No. 1 is repayable in US Dollars by six annual instalments commencing on 31 May 2002. The loan carries commission at normal commercial rates and is secured by a mortgage over certain assets of Zamil Steel Buildings - Vietnam Company Limited together with corporate guarantees from the company and the minority interest partner.

Loan No. 2 represents the remaining balance of a medium term loan obtained in 2002. The whole amount is repayable in Egyptian Pounds in 2004. The loan carries commission at normal commercial rates and is secured by a mortgage over all the assets of Zamil Steel Buildings Company - Egypt.

Loan No. 3 represents the loans obtained by Zamil Steel Industries, Zamil Air Conditioners and Zamil Glass Industries from Saudi Industrial Development Fund (SIDF). The total amount of loan obtained by these branches is SR 52.8 million. These loans carry appraisal fees which are being amortised over the terms of the loans and are repayable in 8 to 14 semi-annual unequal instalments, the last being payable on 15 Shawwal 1429H (corresponding to 15 October 2008). The loan agreements also contain certain covenants in respect of maintenance of financial ratios, which have been complied with at 31 December 2003.

Loan No. 4 represents a medium term loan of SR 4.5 million approved by a local commercial bank to Canam Asia Limited. The loan has been obtained to finance the working capital requirements and the company drew down SR 2.9 million in 2003. The loan is repayable in five semi-annual equal instalments of SR 0.8 million each commencing from 30 September 2004 and carries commission at normal commercial rates. The loan is covered by an order note and a corporate guarantee by the shareholders of Canam Asia Limited.

Loan No. 5 is repayable by equal quarterly instalments in Euro. The final instalment is due in 2008. The loan carries commission at normal commercial rates and is covered by guarantees provided by the company's bankers.

Loan instalments due in 2004 are shown as a current liability.

15 PROPOSED DIVIDENDS

The Board of directors has proposed cash dividends amounting to SR 18 million being 6% of share capital and stock dividends amounting to SR 50 million (one share for every 6 shares) being 16.66% of share capital (2002: Cash dividends of SR 36 million being 12% of share capital) for the approval of shareholders in the annual general meeting.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS-Continued

31 December 2003

16 MINORITY INTERESTS

Minority interests are as follows:

	<i>2003</i> <i>Percentage</i>	<i>2002</i> <i>Percentage</i>
Middle East Airconditioners Company Limited	49	49
Geoclima S.r.l.	15	15
Canam Asia Limited	35	35
Zamil Steel Buildings - Vietnam Company Limited	10	10

17 SELLING AND DISTRIBUTION EXPENSES

	<i>2003</i> <i>SR 000</i>	<i>2002</i> <i>SR 000</i>
Employee costs	71,280	66,278
Advertising and sales promotion	24,100	18,190
Services	8,679	8,810
Rent and utilities	5,704	8,510
Transportation, business travel and entertainment	10,844	10,535
Depreciation	5,110	4,910
Repairs and maintenance	1,396	1,485
Others	22,234	18,219
	<u>149,347</u>	<u>136,937</u>

18 GENERAL AND ADMINISTRATION EXPENSES

	<i>2003</i> <i>SR 000</i>	<i>2002</i> <i>SR 000</i>
Employee costs	60,882	49,213
Depreciation	8,445	7,841
Services	13,921	9,824
Supplies	5,179	4,020
Others	14,678	19,415
	<u>103,105</u>	<u>90,313</u>

19 OTHER INCOME/(EXPENSES)

	<i>2003</i> <i>SR 000</i>	<i>2002</i> <i>SR 000</i>
Scrap sales and miscellaneous	18,289	13,841
Exchange gains/(losses)	2,163	(493)
Profit on sale of property, plant and equipment	35	25
	<u>20,487</u>	<u>13,373</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS-Continued

31 December 2003

20 PRIOR YEAR ADJUSTMENT

This represents the additional share of zakat of a branch payable by Zamil Industrial Investment Company related to the year ended 31 December 2001, as assessed by the Department of Zakat and Income Tax (DZIT) in 2002. Accordingly, this has been treated as adjustment to the opening balance of retained earnings of 2001.

21 SEGMENTAL ANALYSIS

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

	<i>Sales</i> <i>SR 000</i>		<i>Operating Income</i> <i>SR 000</i>		<i>Net Assets</i> <i>SR 000</i>	
	2003	2002	2003	2002	2003	2002
Air Conditioner Industry	810,849	747,424	44,734	44,953	301,461	300,436
Steel Industry	696,879	589,764	27,506	34,200	135,522	110,376
Glass Industry	53,510	68,876	(10,667)	(14,427)	1,266	13,884
Others	-	-	(581)	(4,671)	-	-
	<u>1,561,238</u>	<u>1,406,064</u>	<u>60,992</u>	<u>60,055</u>	<u>438,249</u>	<u>424,696</u>

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

	<i>Sales</i> <i>SR 000</i>		<i>Operating Income</i> <i>SR 000</i>	
	2003	2002	2003	2002
<i>Saudi Arabia :</i>				
Local sales	854,935	795,512	30,986	35,082
Export sales	478,322	424,029	17,124	18,646
Total sales of Saudi Arabia	<u>1,333,257</u>	<u>1,219,541</u>	<u>48,110</u>	<u>53,728</u>
Other Asian countries	105,308	96,552	6,996	7,710
Africa	65,652	42,649	6,330	753
Europe	57,021	47,322	(444)	(2,136)
	<u>1,561,238</u>	<u>1,406,064</u>	<u>60,992</u>	<u>60,055</u>

22 CONTINGENT LIABILITIES

The company's bankers have issued on behalf of the company performance bonds in respect of certain contracts amounting to SR 150 million (2002: SR 90 million).

23 CAPITAL COMMITMENTS

The directors have approved future capital expenditure amounting to SR 56.7 million (2002: SR 54 million).

24 COMPARATIVE FIGURES

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