

**ZAMIL INDUSTRIAL INVESTMENT COMPANY (ZAMIL INDUSTRIAL)  
AND ITS SUBSIDIARIES (A Listed Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
THREE-MONTH PERIOD ENDED 30 MARCH 2022 AND INDEPENDENT  
AUDITORS' REVIEW REPORT**

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## Independent auditor's review report on the interim condensed consolidated financial statements to the shareholders of Zamil Industrial Investment Company (A Saudi Joint Stock Company)

### Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Zamil Industrial Investment Company, A Saudi Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2022 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

Waleed G. Tawfiq  
Certified Public Accountant  
Registration No. (437)

Al Khobar: 18 Shawwal 1443H  
19 May 2022



Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries  
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Unaudited)  
 For the three-month period ended 31 March 2022

	Notes	For the three-month period ended 31 March	
		2022 SR'000 (Unaudited)	2021 SR'000 (Unaudited)
<b>CONTINUING OPERATIONS</b>			
<b>REVENUES</b>			
Revenue from contracts with customers	3	893,716	945,839
Finance lease income		3,080	3,342
		<u>896,796</u>	<u>949,181</u>
<b>DIRECT COSTS</b>			
Cost of sales		(666,048)	(612,576)
Contracts cost		(134,797)	(198,580)
		<u>(800,845)</u>	<u>(811,156)</u>
<b>GROSS PROFIT</b>		<u>95,951</u>	<u>138,025</u>
<b>EXPENSES</b>			
Selling and distribution		(41,918)	(40,461)
General and administration		(81,486)	(79,182)
<b>OPERATING (LOSS) PROFIT FROM CONTINUING OPERATIONS</b>		<u>(27,453)</u>	<u>18,382</u>
Share in results of associates and a joint venture		(1,043)	4,019
Other income, net		3,719	4,171
Finance costs		(15,021)	(11,500)
<b>(LOSS) PROFIT BEFORE ZAKAT AND INCOME TAX FROM CONTINUING OPERATIONS</b>		<u>(39,798)</u>	<u>15,072</u>
Zakat and income tax	4	(9,136)	(2,769)
<b>(LOSS) PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<u>(48,934)</u>	<u>12,303</u>
<b>DISCONTINUED OPERATIONS</b>			
Loss after zakat and income tax for the period from discontinued operations	5	(1,491)	(2,152)
<b>NET (LOSS) PROFIT FOR THE PERIOD</b>		<u>(50,425)</u>	<u>10,151</u>
<b>ATTRIBUTABLE TO:</b>			
Shareholders of the parent company		(51,921)	5,200
Non-controlling interests		1,496	4,951
		<u>(50,425)</u>	<u>10,151</u>
<b>EARNINGS PER SHARE FROM NET (LOSS) PROFIT:</b>			
Basic and diluted earnings (loss) profit per share attributable to the shareholders of the parent company		<u>(0.87)</u>	<u>0.09</u>
<b>EARNINGS PER SHARE FOR CONTINUING OPERATIONS:</b>			
Basic and diluted earnings (loss) profit per share attributable to the shareholders of the parent company		<u>(0.84)</u>	<u>0.12</u>

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries  
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)  
 For the three-month period ended 31 March 2022

	<i>For the three-month period ended 31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>NET (LOSS) PROFIT FOR THE PERIOD</b>	<b>(50,425)</b>	<b>10,151</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Other comprehensive income may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(8,852)	(138)
<b>Net other comprehensive loss may be reclassified to profit or loss in subsequent periods</b>	<b>(8,852)</b>	<b>(138)</b>
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>	<b>(59,277)</b>	<b>10,013</b>
<b>ATTRIBUTABLE TO:</b>		
Shareholders of the parent company	(60,773)	5,062
Non-controlling interests	1,496	4,951
	<b>(59,277)</b>	<b>10,013</b>

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries  
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)  
 As at 31 March 2022

		31 March 2022 SR'000 (Unaudited)	31 December 2021 SR'000 (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	784,537	804,853
Right-of-use assets		68,122	71,336
Investments in associates and a joint venture		65,221	91,264
Equity instrument at fair value through other comprehensive	11	52,359	52,359
Net investments in finance lease		257,177	266,844
Deferred tax assets		4,698	5,163
<b>TOTAL NON-CURRENT ASSETS</b>		<u>1,232,114</u>	<u>1,291,819</u>
<b>CURRENT ASSETS</b>			
Inventories		1,533,299	1,435,348
Accounts receivable		1,887,432	1,775,474
Contract assets		768,060	659,141
Advances, other receivables and prepayments		335,154	237,737
Current portion of net investment in finance lease		25,935	25,662
Cash and cash equivalents		212,841	280,461
Asset held for sale	5	4,762,721	4,413,823
		18,437	18,437
<b>TOTAL CURRENT ASSETS</b>		<u>4,781,158</u>	<u>4,432,260</u>
<b>TOTAL ASSETS</b>		<u>6,013,272</u>	<u>5,724,079</u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	7	600,000	600,000
Statutory reserve		180,000	180,000
Retained earnings		148,856	200,777
Foreign currency translation reserve		(39,080)	(30,228)
Fair value reserve		16,175	16,175
<b>EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY</b>		<u>905,951</u>	<u>966,724</u>
<b>NON-CONTROLLING INTERESTS</b>		<u>176,832</u>	<u>182,900</u>
<b>TOTAL EQUITY</b>		<u>1,082,783</u>	<u>1,149,624</u>
<b>NON-CURRENT LIABILITIES</b>			
Term loans		24,359	7,040
Employees' defined benefit liabilities		228,364	229,134
Lease liabilities		53,876	54,612
Deferred tax liabilities		7,152	7,152
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>313,751</u>	<u>297,938</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable		621,502	624,541
Accruals and provisions		499,640	476,051
Short term loans		2,689,266	2,435,369
Current portion of term loans		20,414	40,208
Current portion of lease liabilities		14,384	16,763
Contract liabilities		716,548	636,256
Zakat and income tax provision	4	54,984	47,329
<b>TOTAL CURRENT LIABILITIES</b>		<u>4,616,738</u>	<u>4,276,517</u>
<b>TOTAL LIABILITIES</b>		<u>4,930,489</u>	<u>4,574,455</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>6,013,272</u>	<u>5,724,079</u>

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries  
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)  
 For the three-month period ended 31 March 2022

	Attributed to shareholders of the parent company					Total	Non-controlling interests	Total equity
	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Fair value reserve			
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Balance at 1 January 2022 (Audited)	600,000	180,000	200,777	(30,228)	16,175	966,724	182,900	1,149,624
Net (loss) profit for the period	-	-	(51,921)	-	-	(51,921)	1,496	(50,425)
Other comprehensive loss for the period	-	-	-	(8,852)	-	(8,852)	-	(8,852)
Total comprehensive (loss) income for the period	-	-	(51,921)	(8,852)	-	(60,773)	1,496	(59,277)
Investment in a subsidiary	-	-	-	-	-	-	(7,564)	(7,564)
<b>Balance at 31 March 2022 (Unaudited)</b>	<b>600,000</b>	<b>180,000</b>	<b>148,856</b>	<b>(39,080)</b>	<b>16,175</b>	<b>905,951</b>	<b>176,832</b>	<b>1,082,783</b>
Balance at 1 January 2021 (Audited)	600,000	180,000	375,048	(28,643)	7,064	1,133,469	201,439	1,334,908
Net profit for the period	-	-	5,200	-	-	5,200	4,951	10,151
Other comprehensive loss for the period	-	-	-	(138)	-	(138)	-	(138)
Total comprehensive income (loss) for the period	-	-	5,200	(138)	-	5,062	4,951	10,013
<b>Balance at 31 March 2021 (Unaudited)</b>	<b>600,000</b>	<b>180,000</b>	<b>380,248</b>	<b>(28,781)</b>	<b>7,064</b>	<b>1,138,531</b>	<b>206,390</b>	<b>1,344,921</b>

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

For the three-month period ended 31 March 2022

For the three-month period  
ended 31 March

	2022 SR'000 (Unaudited)	2021 SR'000 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Loss (profit) before zakat and income tax from continuing operations	(39,798)	15,072
Loss before zakat and income tax from discontinued operations	(1,491)	(2,152)
Adjustments to reconcile loss (profit) before zakat and income tax to net cash flows:		
Depreciation of property, plant and equipment	22,634	25,224
Depreciation of right-of-use assets	3,166	5,208
Employees' defined benefit liabilities	(770)	(653)
Finance costs	15,510	12,014
Share in results of associates and a joint venture	1,043	(4,019)
Losses on disposal of property, plant and equipment	658	39
	<u>952</u>	<u>50,733</u>
Working capital adjustments:		
Inventories	(97,951)	15,718
Accounts receivable	(111,958)	(102,394)
Contract assets	(108,919)	(51,532)
Advances, other receivables and prepayments	(97,417)	13,830
Net investment in finance lease	9,394	6,053
Accounts payable	(3,039)	(26,843)
Accruals and provisions	23,589	121,982
Contract liabilities	80,292	(34,628)
Cash used in operations	<u>(305,057)</u>	<u>(7,081)</u>
Financial charges paid	(14,569)	(10,975)
Zakat and income tax paid	(137)	-
Net cash used in operating activities	<u>(319,763)</u>	<u>(18,056)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(5,992)	(15,908)
Proceeds from disposal of property, plant and equipment	640	99
Dividends received from an associate	25,000	5,000
Investment in a subsidiary	(7,564)	-
Net cash from (used in) investing activities	<u>12,084</u>	<u>(10,809)</u>
<b>FINANCING ACTIVITIES</b>		
Net movement in short term loans	253,897	38,918
Net movement in term loans	(2,542)	(1,202)
Payments against lease liabilities	(3,989)	(1,352)
Net cash from financing activities	<u>247,366</u>	<u>36,364</u>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(60,313)</u>	<u>7,499</u>
Cash and cash equivalents at the beginning of the period	280,461	156,092
Movement in foreign currency translation reserve, net	(7,307)	339
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u><u>212,841</u></u>	<u><u>163,930</u></u>

(continued...)

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited) -

(continued)

For the three-month period ended 31 March 2022

*For the three-month period  
ended 31 March*

<i>2022</i>	<i>2021</i>
<i>SR'000</i>	<i>SR'000</i>
<i>(Unaudited)</i>	<i>(Unaudited)</i>

**NON-CASH TRANSACTIONS:**

Exchange differences on income and deferred taxes	879	284
Exchange differences on right-of-use assets	(48)	6
Exchange differences on property, plant and equipment	(2,376)	61

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

At 31 March 2022

### 1 CORPORATE INFORMATION

Zamil Industrial Investment Company ("the Company") was converted to a Saudi Joint Stock Company in accordance with the Ministerial Resolution number 407 dated 14 Rabi' al-Awwal 1419H (corresponding to 9 July 1998). Prior to that, the Company was operating as a limited liability company under the name of Zamil Steel Buildings Company Limited. The Company is registered in the Kingdom of Saudi Arabia under Commercial Registration number 2050004215 dated 19 Ramadan 1396H (corresponding to 14 September 1976) with the following branch in the Kingdom of Saudi Arabia:

<i>Commercial registration number</i>	<i>Date</i>	<i>Location</i>
2050099363	8 Jumada' II 1435H	Dammam

The Company has investment in the following subsidiaries:

	<i>Effective ownership percentage</i>	
	<i>31 March 2022</i>	<i>31 December 2021</i>
Zamil Steel Holding Company Limited - Saudi Arabia	100%	100%
- Zamil Steel Pre-Engineered Buildings Company Limited - Saudi Arabia	100%	100%
- Zamil Structural Steel Company Limited - Saudi Arabia	100%	100%
- Zamil Towers & Galvanizing Company - Saudi Arabia	100%	100%
- Zamil Process Equipment Company Limited - Saudi Arabia	100%	100%
- Building Component Solutions Company Limited - Saudi Arabia	100%	100%
- Zamil Steel Construction Company Limited - Saudi Arabia	100%	100%
- Zamil Inspection & Maintenance of Industrial Projects Company Limited - Saudi Arabia	100%	100%
- Metallic Construction and Contracting Company Limited - Egypt	100%	100%
Zamil Air Conditioners Holding Company Limited - Saudi Arabia	100%	100%
- Zamil Air Conditioners & Home Appliances Company Limited - Saudi Arabia	100%	100%
- Zamil Central Air Conditioners Company Limited - Saudi Arabia	100%	100%
- Zamil Air Conditioning & Refrigeration Services Company Limited - Saudi Arabia	100%	100%
- Ikhteban Company Limited - Saudi Arabia	100%	100%
- Eastern District Cooling Company Limited - Saudi Arabia	100%	100%
- Zamil Energy Services Company Limited - Saudi Arabia	100%	100%
- Zamil Air Conditioning and Refrigeration Services Company W.L.L - Bahrain	100%	100%
Arabian Stonewool Insulation Company - Saudi Arabia	100%	100%
- Second Insulation Company Limited - Saudi Arabia	100%	100%
- Saudi Preinsulated Pipes Industries - Saudi Arabia	51%	51%
Gulf Insulation Group - Saudi Arabia	51%	51%
Zamil Steel Building Company - Egypt	100%	100%
Zamil Steel Buildings (Shanghai) Company Limited - China	100%	100%
Zamil Steel Buildings India Private Limited - India	100%	100%
Zamil Steel Engineering India Private Limited - India	100%	100%
Zamil Industrial Investment Company - UAE	100%	100%
Zamil Steel Industries Abu Dhabi (LLC) - UAE	100%	100%
Zamil Structural Steel Company - Egypt	100%	100%
Zamil Construction India Private Limited - India	100%	100%
Zamil Information Technology Global Private Limited - India	100%	100%
Zamil Higher Institute for Industrial Training - Saudi Arabia	100%	100%
Zamil Air Conditioners India Private Limited - India	100%	100%
Saudi Central Energy Company Limited - Saudi Arabia	100%	100%
Zamil Industrial Investment Company Asia Pte. Limited - Singapore	100%	100%
Zamil Steel Buildings Vietnam Company Limited - Vietnam*	100%	92.27%

\*During the period, the Group has acquired remaining shares of Zamil Steel Buildings Vietnam Company Limited and paid SR 7.6 million as consideration for the transfer of remaining equity shares at book value. Accordingly, the related non-controlling interest is derecognised by the same amount.

At 31 March 2022

## **1 CORPORATE INFORMATION (continued)**

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

The interim condensed consolidated financial statements of the Group as of 31 March 2022 were authorised for issuance in accordance with the Board of Directors resolution on 19 May 2022 (corresponding to 18 Shawwal 1443H).

## **2 SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Basis of preparation**

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as endorsed in Kingdom of Saudi Arabia (KSA). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021. In addition, the results of the operations for the period ended 31 March 2022 do not necessarily represent an indicator for the results of the operations for the year ending 31 December 2021.

These interim condensed consolidated financial statements are prepared using historical cost convention except for the remeasurement of equity instruments at fair value through other comprehensive income, using the accrual basis of accounting.

These interim condensed consolidated financial statements are presented in Saudi Riyals ("SR") which is also the functional currency of the Group. All values are rounded to the nearest thousands ("SR '000"), except when otherwise indicated.

### **2.2 New standards, interpretation and amendments adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for amendments that have to be mandatory applied as per 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

#### **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the interim condensed consolidated financial statements of the Group.

#### **Reference to the Conceptual Framework – Amendments to IFRS 3**

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) -  
(continued)

At 31 March 2022

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 New standards, interpretation and amendments adopted by the Group (continued)**

**Reference to the Conceptual Framework – Amendments to IFRS 3 (continued)**

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

**Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

**IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities**

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no modifications of the Group’s financial instruments during the period.

**3 REVENUE FROM CONTRACTS WITH CUSTOMERS**

Set out below is the disaggregation of the Group’s revenue from contracts with customers:

	<i>Three-month period ended 31 March (Unaudited)</i>	
	<i>2022</i>	<i>2021</i>
	<i>SR '000</i>	<i>SR '000</i>
Sale of goods	<b>686,245</b>	640,086
Revenue from long-term contracts	<b>151,053</b>	227,265
Rendering of services	<b>56,418</b>	78,488
Total revenue from contracts with customers	<b>893,716</b>	945,839

Reconciliation of the Group’s disaggregate revenue for its reportable segments and timing of revenue recognition is disclosed in note 10.

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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) -

(continued)

At 31 March 2022

#### 4 ZAKAT AND INCOME TAX

##### a) Zakat

The provision for the period is based on zakat base of the Company and its wholly owned Saudi subsidiaries as a whole and individual zakat base of other Saudi subsidiaries (2021: same).

The zakat assessments of the Company and its wholly owned Saudi subsidiaries as a whole have been agreed with the Zakat, Tax and Customs Authority ("the "ZATCA") up to 2013. The ZATCA issued the assessments for the years 2014 to 2018 with an additional liability of SR 229.3 million against which the Group has filed appeals against these assessments. The Appeals are under the review of General Secretariate of Zakat, Tax and Customs Committees (GSTC) and its Appeal Committee.

The management believes that the outcome will be in the favor of the Group, accordingly, no additional provision has been provided. Declarations for the years 2019 and 2020 have been filed with ZATCA. However, the assessments have not yet been raised by the ZATCA.

##### b) Income tax

Income tax provision is provided for in accordance with authorities in which the Group's subsidiaries operate outside the Kingdom of Saudi Arabia. Income tax has been computed based on the managements' understanding of the income tax regulations enforced in their respective countries.

The income tax regulations are subject to different interpretations, and the assessments to be raised by the tax authorities could be different from the income tax returns filed by the respective company.

##### c) Deferred tax

During the period, the Group has booked a net deferred tax benefit of SR 6 thousands (31 March 2021: net deferred tax benefit of SR 621 thousands).

#### 5 DISCONTINUED OPERATIONS

During the prior year, the executive management had decided to discontinue with certain subsidiaries operations. The results of these operations have been classified as discontinued operations in the consolidated statement of profit or loss. The results of the discontinued operations for the period are presented below:

	<i>31 March</i> <b>31 March 2022</b>	<i>31 March</i> <b>2021</b>
	<b>SR'000</b>	<b>SR'000</b>
Revenues	-	1,250
Expenses	<b>(1,002)</b>	(2,888)
Operating loss	<b>(1,002)</b>	(1,638)
Finance costs	<b>(489)</b>	(514)
Loss from discontinued operations	<b>(1,491)</b>	(2,152)

The net cash flows incurred are as follows:

Operating	<b>2,616</b>	7,940
Investing	-	81
Financing	<b>(3,106)</b>	(1,177)
Net cash (outflow) inflow	<b>(490)</b>	6,844

*Earnings per share:*

	<i>31 March</i> <b>31 March 2022</b>	<i>31 March</i> <b>2021</b>
	<b>SR'000</b>	<b>SR'000</b>
Basic and diluted earning loss for the period from discontinued operations	<b>(0.02)</b>	(0.04)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) -  
(continued)

At 31 March 2022

**6 PROPERTY, PLANT AND EQUIPMENT**

During the three-month period ended 31 March 2022, the Group has acquired assets with a cost of SR 6 million (three-month period ended 31 March 2021: SR 16 million) and charged depreciation to the interim condensed consolidated statement of income of SR 23 million (three-month period ended 31 March 2021: SR 25 million). Assets with a net book value of SR 1,298 thousands were disposed by the Group during the three months ended 31 March 2022 (31 March 2021: SR 138 thousands), resulting in loss on disposal of SR 658 thousands (31 March 2021: Loss of SR 39 thousands).

**7 SHARE CAPITAL**

The authorised, issued and fully paid share capital of the Company is divided into 60 million shares (31 December 2021: same) of SR 10 each.

**8 CONTINGENT LIABILITIES**

The Group's bankers have issued performance and payments guarantees, on behalf of the Group, amounting to SR 1,071 million (31 December 2021: SR 1,253 million).

**9 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties.

The Group in the normal course of business carries out transactions with various related parties. Transactions with related parties included in the interim condensed consolidated statement of income are as follows:

<i>Relationship and name of related party</i>	<i>Nature of transactions</i>	<i>Three-month period ended 31 March (Unaudited)</i>	
		<i>2022</i>	<i>2021</i>
		<i>SR '000</i>	<i>SR '000</i>
<i>Entity with significant influence over the Group</i>			
Zamil Group Holding Company	Sales	<b>3,766</b>	2,302
	Purchases	<b>8,590</b>	3,508
<i>Other related parties</i>	Sales	<b>149</b>	130

The compensation to the key management personnel during the period amounted to SR 1,508 thousands (31 March 2021: SR 1,239 thousands).

Pricing policies and terms of payments of transactions with related parties are approved by the Board of Directors. Outstanding balances at the period-end are unsecured, interest free and settled in cash.

Amounts due from related parties at 31 March 2022 amounting to SR 49,391 thousands (31 December 2021: SR 49,047 thousands) have been included in the accounts receivable in interim condensed consolidated statement of financial position. Amounts due to related parties at 31 March 2022 amounting to SR 22,248 thousands (31 December 2021: SR 19,655 thousands) have been included in the accounts payable in interim condensed consolidated statement of financial position.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) -

(continued)

At 31 March 2022

### 10 SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has four reportable segments, as follows:

- The air conditioners industry, which is engaged in production of window, split and central air conditioners, electrical and gas ovens, automatic dryers, microwave ovens, air-conditioning ducts/channels, household refrigerators, automatic washing machines and installation, maintenance, operation and leasing of air conditioning and refrigeration systems.
- The steel industry, which is engaged in construction, managing and operating industrial projects, constructing, managing and operating airports and warehouses, constructing and providing fire protection services for building and structures, building, repairing and maintaining the communication towers, business of steel sheets works, heavy equipment and its spare parts, storage tanks, installation containers and pumps and implementation of electric works.
- The insulation industry, which is engaged in production of complete line of insulation products including fiberglass for using in thermal insulation of central air conditioners, pre-insulated pipes, glass wool, rock wool and engineering plastic foam insulations.
- Corporate and others, which are engaged in providing corporate and shared services, training and investment activities.

No operating segments have been aggregated to form the above reportable operating segments. The Board of directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income and is measured consistently in the interim condensed consolidated financial statements.

#### Business segments

*For the three-month period ended 31 March 2022 (SR '000)*

	<i>Air conditioner industry</i>	<i>Steel industry</i>	<i>Insulation industry</i>	<i>Corporate and others</i>	<i>Total segments</i>	<i>Adjustments and eliminations</i>	<i>Consolidated</i>
<i>Revenue from contracts with customers:</i>							
External customer	324,811	520,526	48,136	243	893,716	-	893,716
Inter-segment	-	-	2,479	-	2,479	(2,479)	-
	324,811	520,526	50,615	243	896,195	(2,479)	893,716
Finance lease income	3,080	-	-	-	3,080	-	3,080
Total revenue	327,891	520,526	50,615	243	899,275	(2,479)	896,796
<i>Timing of revenue recognition:</i>							
At a point in time	241,123	453,161	50,615	243	745,142	(2,479)	742,663
Over time	83,688	67,365	-	-	151,053	-	151,053
	324,811	520,526	50,615	243	896,195	(2,479)	893,716
Gross profit	21,297	57,930	15,777	243	95,247	704	95,951
Operating (loss) profit	(27,711)	(1,370)	3,720	(3,359)	(28,720)	1,267	(27,453)
<i>Unallocated (expenses) profit:</i>							
Share in results of associates and a joint venture							(1,043)
Other income, net							3,719
Finance costs							(15,021)
Loss before zakat and income tax from continuing operations							(39,798)
Zakat and income tax							(9,136)
Net loss for the period from continuing operations							(48,934)

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) -

(continued)

At 31 March 2022

**10 SEGMENTAL INFORMATION (continued)**

*For the three-month period ended 31 March 2021 (SR '000)*

	<i>Air conditioner industry</i>	<i>Steel industry</i>	<i>Insulation industry</i>	<i>Corporate and others</i>	<i>Total segments</i>	<i>Adjustments and eliminations</i>	<i>Consolidated</i>
<i>Revenue from contracts with customers:</i>							
External customer	392,073	499,762	53,769	235	945,839	-	945,839
Inter-segment	92	-	3,180	-	3,272	(3,272)	-
	392,165	499,762	56,949	235	949,111	(3,272)	945,839
Finance lease income	3,342	-	-	-	3,342	-	3,342
Total revenue	395,507	499,762	56,949	235	952,453	(3,272)	949,181
<i>Timing of revenue recognition:</i>							
At a point in time	285,204	379,458	56,949	235	721,846	(3,272)	718,574
Over time	106,961	120,304	-	-	227,265	-	227,265
	392,165	499,762	56,949	235	949,111	(3,272)	945,839
Gross profit (loss)	60,721	56,734	19,701	(381)	136,775	1,250	138,025
Operating profit (loss)	9,309	3,372	8,862	(4,411)	17,132	1,250	18,382
<i>Unallocated income (expenses):</i>							
Share in results of associates and a joint venture							4,019
Other income, net							4,171
Finance costs							(11,500)
Profit before zakat and income tax from continuing operations							15,072
Zakat and income tax							(2,769)
Net profit for the period from continuing operations							12,303

*At 31 March 2022 (SR '000)*

	<i>Air conditioner industry</i>	<i>Steel industry</i>	<i>Insulation industry</i>	<i>Corporate and others</i>	<i>Total segments</i>	<i>Adjustments and eliminations</i>	<i>Consolidated</i>
Total assets	2,972,275	2,369,422	444,268	462,580	6,248,545	(235,273)	6,013,272
Total liabilities	2,475,350	1,710,029	156,431	823,953	5,165,763	(235,274)	4,930,489
<i>Others:</i>							
Investment in associates and a joint venture	-	-	-	65,221	65,221	-	65,221
Capital expenditure	852	4,022	847	271	5,992	-	5,992

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) -

(continued)

At 31 March 2022

**10 SEGMENTAL INFORMATION (continued)**

At 31 December 2021 (SR '000)

	<i>Air conditioner industry</i>	<i>Steel industry</i>	<i>Insulation industry</i>	<i>Corporate and others</i>	<i>Total segments</i>	<i>Adjustments and eliminations</i>	<i>Consolidated</i>
Total assets	2,711,002	2,282,580	451,340	440,755	5,885,677	(161,598)	5,724,079
Total liabilities	2,186,596	1,607,483	165,372	776,602	4,736,053	(161,598)	4,574,455
<i>Others:</i>							
Investment in associates and a joint venture	-	-	-	<b>91,264</b>	91,264	-	91,264
Capital expenditure	<b>10,596</b>	<b>12,849</b>	<b>20,015</b>	<b>9,869</b>	53,329	-	53,329

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below. Capital expenditure consist of additions of property, plant and equipment.

**Geographic information**

	<i>For the three-month ended 31 March</i>	
	<i>2020</i>	<i>2021</i>
	<i>SR '000</i>	<i>SR '000</i>
<i>Revenue from external customers:</i>		
Saudi Arabia	<b>619,678</b>	722,377
Other Asian countries	<b>154,945</b>	105,800
Africa	<b>122,173</b>	121,004
	<b>896,796</b>	949,181
	<i>31 March</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>SR '000</i>	<i>SR '000</i>
<i>Non-current operating assets:</i>		
Saudi Arabia	<b>694,211</b>	713,671
Other Asian countries	<b>93,412</b>	95,374
Africa	<b>65,036</b>	67,144
	<b>852,659</b>	876,189

Non-current operating assets for this purpose consist of property, plant and equipment and right-of-use assets.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) -

(continued)

At 31 March 2022

### 11 FAIR VALUES OF FINANCIAL INSTRUMENTS

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

Financial assets consist of cash and cash equivalents, equity instruments at fair value through other comprehensive income, accounts receivable, net investment in finance lease and some other current assets. Financial liabilities consist of term loans, short term loan, lease liabilities, accounts payable and some other current liabilities. The fair values of financial assets and financial liabilities approximate their carrying amounts.

Set out below is a comparison, of the carrying amounts and fair values of the Group's equity instruments at fair value through other comprehensive income:

	<i>Carrying value</i>	<i>Fair value</i>	<i>Fair value measurement using</i>		
			<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
<b>31 March 2022</b>					
<i>Equity instrument at fair value through other comprehensive income</i>					
At fair value	<b>52,359</b>	<b>52,359</b>	-	-	<b>52,359</b>
	<b>52,359</b>	<b>52,359</b>	-	-	<b>52,359</b>
	<i>Carrying value</i>	<i>Fair value</i>	<i>Fair value measurement using</i>		
	<i>SR '000</i>	<i>SR '000</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
			<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
<b>31 December 2021</b>					
<i>Equity instrument at fair value through other comprehensive income</i>					
At fair value	52,359	52,359	-	-	52,359
	52,359	52,359	-	-	52,359

The fair value of the Group's investment in unquoted equity shares at 31 March 2022 and 31 December 2021 was measured using Level 3 (significant unobservable inputs). The Group estimated the fair value of the investment using adjusted net asset method. The adjusted net asset method involves deriving the fair value of an investee's equity instruments by reference to the fair value of its assets and liabilities. The management believes that there have been no significant changes in the value of investment from 31 December 2021.

### 12 COMPARATIVE FIGURES

Certain of the prior period numbers have been reclassified to conform with the presentation in the current period. The reclassification is mainly related to the discontinued operations as mentioned in the note 5.

### 13 SUBSEQUENT EVENTS

In the opinion of management, there have been no further significant subsequent events since the period ended 31 March 2022 that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.