

**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 31 MARCH 2021 AND INDEPENDENT  
AUDITORS' REVIEW REPORT**

For the three-month period ended 31 March 2021

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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 2021 and the related interim condensed consolidated statements of income, 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

Waleed G. Tawfiq  
Certified Public Accountant  
Registration No. 437

10 Ramadan 1442H  
22 April 2021

Alkhobar



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

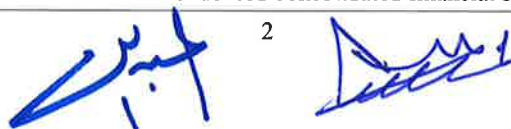
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the three-month period ended 31 March 2021

	Notes	<i>For the three-month period ended 31 March</i>	
		<i>2021</i>	<i>2020</i>
		<i>SR'000</i>	<i>SR'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>CONTINUING OPERATIONS</b>			
<b>REVENUES</b>			
Revenue from contracts with customers	4	945,839	876,685
Finance lease income		3,342	3,593
		<u>949,181</u>	<u>880,278</u>
<b>DIRECT COSTS</b>			
Cost of sales		(612,576)	(555,292)
Contracts cost		(198,798)	(206,435)
		<u>(811,374)</u>	<u>(761,727)</u>
<b>GROSS PROFIT</b>		<u>137,807</u>	<u>118,551</u>
<b>EXPENSES</b>			
Selling and distribution		(40,461)	(39,919)
General and administration		(80,699)	(87,763)
<b>OPERATING INCOME (LOSS) FROM CONTINUING OPERATIONS</b>		<u>16,647</u>	<u>(9,131)</u>
Share in results of associates and a joint venture		4,019	7,930
Other income, net		4,146	3,633
Finance costs		(12,014)	(22,556)
<b>INCOME (LOSS) BEFORE ZAKAT AND INCOME TAX FROM CONTINUING OPERATIONS</b>		<u>12,798</u>	<u>(20,124)</u>
Zakat and income tax	5	(2,769)	(2,117)
<b>INCOME (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<u>10,029</u>	<u>(22,241)</u>
<b>DISCONTINUED OPERATIONS</b>			
Income (loss) after zakat and income tax for the period from discontinued operations	6	122	(1,728)
<b>NET INCOME (LOSS) FOR THE PERIOD</b>		<u>10,151</u>	<u>(23,969)</u>
<b>ATTRIBUTABLE TO:</b>			
Shareholders of the parent company		5,200	(28,825)
Non-controlling interests		4,951	4,856
		<u>10,151</u>	<u>(23,969)</u>
<b>EARNINGS PER SHARE FROM NET INCOME (LOSS):</b>			
Basic and diluted earnings (loss) per share attributable to the shareholders of the parent company		<u>0.09</u>	<u>(0.48)</u>
<b>EARNINGS PER SHARE FOR CONTINUING OPERATIONS:</b>			
Basic and diluted earnings (loss) per share attributable to the shareholders of the parent company		<u>0.08</u>	<u>(0.45)</u>

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

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Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries  
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 For the three-month period ended 31 March 2021

	<i>For the three-month period ended 31 March</i>	
	<b>2021</b> <b>SR'000</b> <b>(Unaudited)</b>	<b>2020</b> <b>SR'000</b> <b>(Unaudited)</b>
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>10,151</b>	<b>(23,969)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Other comprehensive income may be reclassified to income in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(138)	(4,425)
<b>Net other comprehensive income may be reclassified to income in subsequent periods</b>	<b>(138)</b>	<b>(4,425)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>10,013</b>	<b>(28,394)</b>
<b>ATTRIBUTABLE TO:</b>		
Shareholders of the parent company	<b>5,062</b>	<b>(33,250)</b>
Non-controlling interests	<b>4,951</b>	<b>4,856</b>
	<b>10,013</b>	<b>(28,394)</b>

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

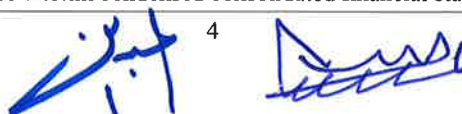
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

		31 March 2021 SR'000 (Unaudited)	31 December 2020 SR'000 (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	859,038	868,553
Right-of-use assets		90,975	96,189
Investments in associates and a joint venture		93,757	94,738
Equity instrument at fair value through other comprehensive income	12	53,650	53,650
Net investments in finance lease		286,192	292,507
Deferred tax assets		3,331	2,710
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,386,943</b>	<b>1,408,347</b>
<b>CURRENT ASSETS</b>			
Inventories		1,152,067	1,167,785
Accounts receivable		1,821,023	1,718,629
Contract assets		648,185	596,653
Advances, other receivables and prepayments		189,486	203,316
Current portion of net investment in finance lease		24,860	24,598
Cash and cash equivalents		163,930	156,092
<b>TOTAL CURRENT ASSETS</b>		<b>3,999,551</b>	<b>3,867,073</b>
<b>TOTAL ASSETS</b>		<b>5,386,494</b>	<b>5,275,420</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	8	600,000	600,000
Statutory reserve		180,000	180,000
Retained earnings		380,248	375,048
Foreign currency translation reserve		(28,781)	(28,643)
Fair value reserve		7,064	7,064
<b>EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY</b>		<b>1,138,531</b>	<b>1,133,469</b>
<b>NON-CONTROLLING INTERESTS</b>		<b>206,390</b>	<b>201,439</b>
<b>TOTAL EQUITY</b>		<b>1,344,921</b>	<b>1,334,908</b>
<b>NON-CURRENT LIABILITIES</b>			
Term loans		13,362	14,510
Employees' defined benefit liabilities		212,583	213,236
Lease liabilities		58,235	59,688
Deferred tax liabilities		6,077	6,077
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>290,257</b>	<b>293,511</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable		429,748	456,591
Accruals and provisions		508,120	386,138
Short term loans		2,200,468	2,161,550
Current portion of term loans		165,876	165,803
Current portion of lease liabilities		32,690	31,550
Contract liabilities		368,143	402,771
Zakat and income tax provision	5	46,271	42,598
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,751,316</b>	<b>3,647,001</b>
<b>TOTAL LIABILITIES</b>		<b>4,041,573</b>	<b>3,940,512</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,386,494</b>	<b>5,275,420</b>

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2021

	<i>Attributed to shareholders of the parent company</i>							<i>Total equity</i>
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Foreign currency translation reserve</i>	<i>Fair value reserve</i>	<i>Total</i>	<i>Non-controlling interests</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 1 January 2021 <i>(Audited)</i>	600,000	180,000	375,048	(28,643)	7,064	1,133,469	201,439	1,334,908
Net income for the period	-	-	5,200	-	-	5,200	4,951	10,151
Other comprehensive loss	-	-	-	(138)	-	(138)	-	(138)
Total comprehensive income	-	-	5,200	(138)	-	5,062	4,951	10,013
<b>Balance at 30 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>
Balance at 1 January 2020 <i>(Audited)</i>	600,000	180,000	533,202	(26,989)	(7,446)	1,278,767	201,068	1,479,835
Net loss for the period	-	-	(28,825)	-	-	(28,825)	4,856	(23,969)
Other comprehensive loss	-	-	-	(4,425)	-	(4,425)	-	(4,425)
Total comprehensive loss	-	-	(28,825)	(4,425)	-	(33,250)	4,856	(28,394)
<b>Balance at 31 March 2020 (Unaudited)</b>	<b>600,000</b>	<b>180,000</b>	<b>504,377</b>	<b>(31,414)</b>	<b>(7,446)</b>	<b>1,245,517</b>	<b>205,924</b>	<b>1,451,441</b>

The attached notes 1 to 14 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

For the three-month period ended 31 March 2021

	<i>For the three-month period ended 31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>OPERATING ACTIVITIES</b>		
Income (loss) before zakat and income tax from continuing operations	12,798	(20,124)
Income (loss) before zakat and income tax from discontinued operations	122	(1,308)
Adjustments to reconcile income (loss) before zakat and income tax to net cash flows:		
Depreciation of property, plant and equipment	25,224	28,669
Depreciation of right-of-use assets	5,208	5,451
Employees' defined benefit liabilities	(653)	(2,109)
Finance costs	12,014	23,454
Share in results of associates and a joint venture	(4,019)	(7,930)
Loss on disposal of property, plant and equipment	39	-
	<u>50,733</u>	<u>26,103</u>
Working capital adjustments:		
Inventories	15,718	(57,899)
Accounts receivable	(102,394)	(19,206)
Contract assets	(51,532)	18,054
Advances, other receivables and prepayments	13,830	(44,993)
Net investment in finance lease	6,053	5,801
Accounts payable	(26,843)	68,482
Accruals and provisions	121,982	(21,171)
Contract liabilities	(34,628)	57,623
Cash (used in) from operations	<u>(7,081)</u>	<u>32,794</u>
Financial charges paid	<u>(10,975)</u>	<u>(20,379)</u>
Net cash (used in) from operating activities	<u>(18,056)</u>	<u>12,415</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(15,908)	(7,117)
Proceeds from disposal of property, plant and equipment	99	-
Dividend received from an associate	5,000	-
Net cash used in investing activities	<u>(10,809)</u>	<u>(7,117)</u>
<b>FINANCING ACTIVITIES</b>		
Net movement in short term loans	38,918	(18,373)
Net movement in term loans	(1,202)	-
Payments against lease liabilities	(1,352)	(1,512)
Net cash from (used in) financing activities	<u>36,364</u>	<u>(19,885)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>7,499</b>	<b>(14,587)</b>
Cash and cash equivalents at the beginning of the period	156,092	197,252
Movement in foreign currency translation reserve, net	339	(2,403)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b><u>163,930</u></b>	<b><u>180,262</u></b>
<b>NON-CASH TRANSACTIONS:</b>		
Exchange differences on income and deferred taxes	284	12
Exchange differences on property, plant and equipment	61	1,890
Exchange differences on right-of-use assets	6	144

The attached notes 1 to 14 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

At 31 March 2021

### 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' I 1419 H (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 1396 H (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 2021</i>	<i>31 December 2020</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%
- Gulf Insulation Group - Saudi Arabia	51%	51%
- Saudi Preinsulated Pipes Industries - 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	92.27%	92.27%

## 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 2021 were authorised for issuance in accordance with the Board of Directors resolution on 22 April 2021 (corresponding to 10 Ramadhan 1442H).

## 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 2020. In addition, the results of the operations for the period ended 31 March 2021 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. For employees and other post-employment benefits, actuarial present value calculation is used.

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 2020, except for amendments that have to be mandatory applied as per 1 January 2021. 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 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

#### **Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable

### 3 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements.

### 4 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>	
	<u>2021</u>	<u>2020</u>
	<u>SR '000</u>	<u>SR '000</u>
Sale of goods	640,086	570,737
Revenue from long-term contracts	227,265	235,988
Rendering of services	78,488	69,960
Total revenue from contracts with customers	<u>945,839</u>	<u>876,685</u>

Reconciliation of the Group's disaggregate revenue for its reportable segments and timing of revenue recognition is disclosed in note 11.

### 5 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 (2020: same).

The zakat assessments of the Company and its wholly owned Saudi subsidiaries as a whole have been agreed with the General Authority of Zakat and Tax ("the GAZT") up to 2013. The GAZT issued the assessments for the years 2014 to 2018 with an additional liability of SR 229.3 million against which the Group has filed an appeal against the assessment. The management believes that the outcome will be in the favor of the Group, accordingly, no additional provision has been provided. Assessment for year 2019 has not yet been raised by the GAZT.

The Zakat regulations in Saudi Arabia are subject to different interpretations and the assessments to be raised by the GAZT could be different from the declarations filed by the Company.

#### 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 621 thousands (31 March 2020: net deferred tax expense of SR 132 thousands).

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

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

At 31 March 2021

#### 6 DISCONTINUED OPERATIONS

During the last year, the executive management has decided to discontinue with one of the subsidiary's operations. The plan was approved by the management and the operations were discontinued by the year ended 31 December 2020. Therefore the results of the operations have been classified as discontinued operations in the interim condensed consolidated statement of income. The results of the discontinued operations for the period are presented below:

	<b>2021</b>	2020
	<b>SR'000</b>	SR'000
Revenues	<b>1,250</b>	42,216
Expenses	<b>(1,128)</b>	(42,626)
Operating income (loss)	<b>122</b>	(410)
Finance costs	-	(898)
Income (loss) before zakat from discontinued operations	<b>122</b>	(1,308)
Zakat expense	-	(420)
Income (loss) for the year from discontinued operations	<b>122</b>	(1,728)
The net cash flows incurred are as follows:		
Operating	<b>6,995</b>	1,587
Financing	<b>(1,177)</b>	(1,177)
Net cash inflow	<b>5,818</b>	410

*Earnings per share:*

	<b>2021</b>	2020
	<b>SR'000</b>	SR'000
Basic and diluted earning (loss) for the period from discontinued operations	<b>0.00</b>	<b>(0.03)</b>

#### 7 PROPERTY, PLANT AND EQUIPMENT

During the three-month period ended 31 March 2021, the Group has acquired assets with a cost of SR 16 million (three-month period ended 31 March 2020: SR 7 million) and charged depreciation to the interim condensed consolidated statement of income of SR 25 million (three-month period ended 31 March 2020: SR 29 million). Assets with a net book value of SR 138 thousands were disposed by the Group during the three months ended 31 March 2021 (31 March 2020: nil), resulting in loss on disposal of SR 39 thousands (31 March 2020: nil).

#### 8 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company is divided into 60 million shares (31 December 2020: same) of SR 10 each.

#### 9 CONTINGENT LIABILITIES

The Group's bankers have issued performance and payments guarantees, on behalf of the Group, amounting to SR 1,069 million (31 December 2020: SR 989 million).

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

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

At 31 March 2021

#### 10 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>2021 SR '000</i>	<i>2020 SR '000</i>
<i>Entity with significant influence over the Group</i>			
Zamil Group Holding Company	Sales	<b>106</b>	1,005
	Purchases	<b>1,493</b>	148
<i>Joint venture</i>			
Middle East Air Conditioners Company Limited	Sales	-	3,400
<i>Other related parties</i>			
	Sales	<b>2,326</b>	1,898
	Purchases	<b>2,015</b>	3,888

The compensation to the key management personnel during the period amounted to SR 1,239 thousands (31 March 2020: SR 1,367 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 2021 amounting to SR 63,886 thousands (31 December 2020: SR 67,573 thousands) have been included in the accounts receivable in interim condensed consolidated statement of financial position. Amounts due to related parties at 31 March 2021 amounting to SR 15,469 thousands (31 December 2020: SR 16,178 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 (continued)

At 31 March 2021

### 11 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 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)	-
	<u>392,165</u>	<u>499,762</u>	<u>56,949</u>	<u>235</u>	<u>949,111</u>	<u>(3,272)</u>	<u>945,839</u>
Finance lease income	3,342	-	-	-	3,342	-	3,342
Total revenue	<u>395,507</u>	<u>499,762</u>	<u>56,949</u>	<u>235</u>	<u>952,453</u>	<u>(3,272)</u>	<u>949,181</u>
<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
	<u>392,165</u>	<u>499,762</u>	<u>56,949</u>	<u>235</u>	<u>949,111</u>	<u>(3,272)</u>	<u>945,839</u>
Gross profit	<u>60,721</u>	<u>56,516</u>	<u>19,701</u>	<u>(381)</u>	<u>136,557</u>	<u>1,250</u>	<u>137,807</u>
Operating income	<u>9,309</u>	<u>1,637</u>	<u>8,862</u>	<u>(4,411)</u>	<u>15,397</u>	<u>1,250</u>	<u>16,647</u>
<i>Unallocated income (expenses):</i>							
Share in results of associates and a joint venture							4,019
Other income, net							4,146
Finance costs							(12,014)
Income before zakat and income tax from continuing operations							<u>12,798</u>
Zakat and income tax							<u>(2,769)</u>
Net income for the period from continuing operations							<u><u>10,029</u></u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2021

11 SEGMENTAL INFORMATION (continued)

For the three-month period ended 31 March 2020 (SR '000)

	Air conditioner industry	Steel industry	Insulation industry	Corporate and others	Total segments	Adjustments and eliminations	Consolidated
<i>Revenue from contracts with customers:</i>							
External customer	343,496	472,091	60,031	1,067	876,685	-	876,685
Inter-segment	2,589	-	4,313	-	6,902	(6,902)	-
	346,085	472,091	64,344	1,067	883,587	(6,902)	876,685
Finance lease income	3,593	-	-	-	3,593	-	3,593
Total revenue	349,678	472,091	64,344	1,067	887,180	(6,902)	880,278
<i>Timing of revenue recognition:</i>							
At a point in time	235,795	346,393	64,344	1,067	647,599	(6,902)	640,697
Over time	110,290	125,698	-	-	235,988	-	235,988
	346,085	472,091	64,344	1,067	883,587	(6,902)	876,685
Gross profit	36,707	60,054	21,493	(3,226)	115,028	3,523	118,551
Operating loss	(20,322)	4,784	8,761	(5,877)	(12,654)	3,523	(9,131)
<i>Unallocated income (expenses):</i>							
Share in results of associates and a joint venture							7,930
Other income, net							3,633
Finance costs							(22,556)
Loss before zakat and income tax from continuing operations							(20,124)
Zakat and income tax							(2,117)
Net loss for the period from continuing operations							(22,241)

At 31 March 2021 (SR '000)

	Air conditioner industry	Steel industry	Insulation industry	Corporate and others	Total segments	Adjustments and eliminations	Consolidated
Total assets	2,582,632	2,507,628	452,337	420,568	5,963,165	(576,671)	5,386,494
Total liabilities	1,887,202	1,724,486	145,668	925,069	4,682,425	(640,852)	4,041,573
<i>Others:</i>							
Investment in associates and a joint venture	-	-	-	93,757	93,757	-	93,757
Capital expenditure	3,802	6,514	3,708	1,884	15,908	-	15,908

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

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

At 31 March 2021

### 11 SEGMENTAL INFORMATION (continued)

At 31 December 2020 (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	2,522,873	2,072,108	444,979	420,330	5,460,290	(184,870)	5,275,420
Total liabilities	1,831,464	1,288,637	146,433	908,520	4,175,054	(234,542)	3,940,512
<i>Others:</i>							
Investment in associates and a joint venture	10,774	-	-	83,964	94,738	-	94,738
Capital expenditure	11,741	20,074	4,475	3,922	40,212	-	40,212

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 consists of additions of property, plant and equipment and intangible assets.

### Geographic information

	<i>For the three-month ended 31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>SR '000</i>	<i>SR '000</i>
<i>Revenue from external customers:</i>		
Saudi Arabia	<b>722,377</b>	678,699
Other Asian countries	<b>105,800</b>	136,016
Africa	<b>121,004</b>	65,563
	<b>949,181</b>	880,278
	<i>31 March</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>SR '000</i>	<i>SR '000</i>
<i>Non-current operating assets:</i>		
Saudi Arabia	<b>718,965</b>	732,147
Other Asian countries	<b>161,028</b>	161,662
Africa	<b>70,020</b>	70,933
	<b>950,013</b>	964,742

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 (continued)

At 31 March 2021

#### 12 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

As of reporting date, there were no Level 1, 2 or 3 assets or liabilities except for equity instruments at fair value through other comprehensive income representing unquoted shares and these have been valued using Level 3 valuation technique.

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 2021</b>					
<i>Equity instrument at fair value through other comprehensive income</i>					
At fair value	<b>53,650</b>	<b>53,650</b>	-	-	<b>53,650</b>
	<b>53,650</b>	<b>53,650</b>	-	-	<b>53,650</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>	<i>SR '000</i>	<i>SR '000</i>
<b>31 December 2020</b>					
<i>Equity instrument at fair value through other comprehensive income</i>					
At fair value	53,650	53,650	-	-	53,650
	53,650	53,650	-	-	53,650

The fair value of the Group's investment in unquoted equity shares at 31 March 2021 and 31 December 2020 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 2020.

#### 13 COMPARATIVE FIGURES

Certain of the prior year 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 6.

#### 14 SUBSEQUENT EVENTS

In the opinion of management, there have been no further significant subsequent events since the period ended 31 March 2021 that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.