

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 AND INDEPENDENT
AUDITORS' REVIEW REPORT**

Table of contents

	Page
Independent auditor's review report	1
Interim condensed consolidated statement of income	2
Interim condensed consolidated statement of comprehensive income	3
Interim condensed consolidated statement of financial position	4
Interim condensed consolidated statement of changes in equity	5
Interim condensed consolidated statement of cash flows	6
Notes to the interim condensed consolidated financial statements	7-15



Ernst and Young & Co Public Accountants (Professional Limited Liability Company)
Paid-up capital (SR 5,500,000) (Five million and five hundred thousand Saudi Riyal)
Adeer Tower, 15th Floor
Prince Turki Bin Abdulaziz Street, Al Khobar Corniche
P.O. Box 3795
Al Khobar 31952
Kingdom of Saudi Arabia
Head Office – Riyadh

C.R. No. 2051058792
Tel: +966 13 840 4600
Fax: +966 13 882 0087
ey.ksa@sa.ey.com
ey.com

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 30 September 2021 and the related interim condensed consolidated statements of income, comprehensive income for the three-month and nine-month periods ended 30 September 2021, and related interim condensed consolidated statement of changes in equity and cash flows for the nine-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



22 Rabi' al-Awwal 1443H
28 October 2021
Al Khobar

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)

For the nine-month period ended 30 September 2021

	Notes	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
		<i>2021 SR'000 (Unaudited)</i>	<i>2020 SR'000 (Unaudited)</i>	<i>2021 SR'000 (Unaudited)</i>	<i>2020 SR'000 (Unaudited)</i>
CONTINUING OPERATIONS					
REVENUES					
Revenue from contracts with customers	4	823,802	820,922	2,613,784	2,413,875
Finance lease income		3,213	3,469	9,833	10,594
		<u>827,015</u>	<u>824,391</u>	<u>2,623,617</u>	<u>2,424,469</u>
DIRECT COSTS					
Cost of sales		(612,504)	(534,565)	(1,780,465)	(1,592,020)
Contracts cost		(79,415)	(182,783)	(446,765)	(527,274)
		<u>(691,919)</u>	<u>(717,348)</u>	<u>(2,227,230)</u>	<u>(2,119,294)</u>
GROSS PROFIT		<u>135,096</u>	<u>107,043</u>	<u>396,387</u>	<u>305,175</u>
EXPENSES					
Selling and distribution		(31,256)	(35,800)	(107,457)	(111,225)
General and administration		(90,867)	(85,020)	(245,572)	(253,315)
OPERATING INCOME (LOSS) FROM CONTINUING OPERATIONS		<u>12,973</u>	<u>(13,777)</u>	<u>43,358</u>	<u>(59,365)</u>
Share in results of associates and a joint venture		925	4,979	6,625	17,239
Other income, net		4,566	3,176	16,486	9,349
Finance costs		(13,494)	(19,855)	(37,133)	(62,384)
INCOME (LOSS) BEFORE ZAKAT AND INCOME TAX FROM CONTINUING OPERATIONS		<u>4,970</u>	<u>(25,477)</u>	<u>29,336</u>	<u>(95,161)</u>
Zakat and income tax	5	(3,803)	(3,540)	(11,423)	(11,802)
INCOME (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		<u>1,167</u>	<u>(29,017)</u>	<u>17,913</u>	<u>(106,963)</u>
DISCONTINUED OPERATIONS					
Income (loss) after zakat and income tax for the period from discontinued operations	6	114	(6,974)	471	(12,273)
NET INCOME (LOSS) FOR THE PERIOD		<u>1,281</u>	<u>(35,991)</u>	<u>18,384</u>	<u>(119,236)</u>
ATTRIBUTABLE TO:					
Shareholders of the parent company		852	(38,495)	13,118	(125,627)
Non-controlling interests		429	2,504	5,266	6,391
		<u>1,281</u>	<u>(35,991)</u>	<u>18,384</u>	<u>(119,236)</u>
EARNINGS PER SHARE FROM NET INCOME (LOSS):					
Basic and diluted earnings (loss) per share attributable to the shareholders of the parent company		<u>0.01</u>	<u>(0.64)</u>	<u>0.22</u>	<u>(2.09)</u>
EARNINGS PER SHARE FOR CONTINUING OPERATIONS:					
Basic and diluted earnings (loss) per share attributable to the shareholders of the parent company		<u>0.01</u>	<u>(0.53)</u>	<u>0.21</u>	<u>(1.89)</u>

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 COMPREHENSIVE INCOME (Unaudited)

For the nine-month period ended 30 September 2021

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
NET INCOME (LOSS) FOR THE PERIOD	1,281	(35,991)	18,384	(119,236)
OTHER COMPREHENSIVE INCOME				
<i>Other comprehensive income may be reclassified to income in subsequent periods:</i>				
Exchange differences on translation of foreign operations	101	3,171	(1,265)	(2,377)
Net other comprehensive income may be reclassified to income in subsequent periods	101	3,171	(1,265)	(2,377)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	1,382	(32,820)	17,119	(121,613)
ATTRIBUTABLE TO:				
Shareholders of the parent company	953	(35,324)	11,853	(128,004)
Non-controlling interests	429	2,504	5,266	6,391
	1,382	(32,820)	17,119	(121,613)

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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 FINANCIAL POSITION (Unaudited)

As at 30 September 2021

		<i>30 September</i>	<i>31 December</i>
		<i>2021</i>	<i>2020</i>
		<i>SR'000</i>	<i>SR'000</i>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	839,158	868,553
Right-of-use assets		80,707	96,189
Investments in associates and a joint venture		96,363	94,738
Equity instrument at fair value through other comprehensive income	12	53,650	53,650
Net investments in finance lease		272,298	292,507
Deferred tax assets		2,718	2,710
TOTAL NON-CURRENT ASSETS		1,344,894	1,408,347
CURRENT ASSETS			
Inventories		1,293,699	1,167,785
Accounts receivable		1,836,681	1,718,629
Contract assets		637,223	596,653
Advances, other receivables and prepayments		270,370	203,316
Current portion of net investment in finance lease		25,392	24,598
Cash and cash equivalents		172,106	156,092
TOTAL CURRENT ASSETS		4,235,471	3,867,073
TOTAL ASSETS		5,580,365	5,275,420
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	600,000	600,000
Statutory reserve		180,000	180,000
Retained earnings		388,166	375,048
Foreign currency translation reserve		(29,908)	(28,643)
Fair value reserve		7,064	7,064
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		1,145,322	1,133,469
NON-CONTROLLING INTERESTS		206,705	201,439
TOTAL EQUITY		1,352,027	1,334,908
NON-CURRENT LIABILITIES			
Term loans		10,709	14,510
Employees' defined benefit liabilities		216,356	213,236
Lease liabilities		58,549	59,688
Deferred tax liabilities		6,077	6,077
TOTAL NON-CURRENT LIABILITIES		291,691	293,511
CURRENT LIABILITIES			
Accounts payable		454,788	456,591
Accruals and provisions		503,720	386,138
Short term loans		2,340,861	2,161,550
Current portion of term loans		18,582	165,803
Current portion of lease liabilities		27,399	31,550
Contract liabilities		550,308	402,771
Zakat and income tax provision	5	40,989	42,598
TOTAL CURRENT LIABILITIES		3,936,647	3,647,001
TOTAL LIABILITIES		4,228,338	3,940,512
TOTAL EQUITY AND LIABILITIES		5,580,365	5,275,420

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 CHANGES IN EQUITY (Unaudited)

For the nine-month period ended 30 September 2021

	<i>Attributed to shareholders of the parent company</i>							<i>Total equity</i> SR '000
	<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>	
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	
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 income for the period	-	-	13,118	-	-	13,118	5,266	18,384
Other comprehensive loss for the period	-	-	-	(1,265)	-	(1,265)	-	(1,265)
Total comprehensive income (loss) for the period	-	-	13,118	(1,265)	-	11,853	5,266	17,119
Balance at 30 September 2021 (Unaudited)	600,000	180,000	388,166	(29,908)	7,064	1,145,322	206,705	1,352,027
Balance at 1 January 2020 (Audited)	600,000	180,000	533,202	(26,989)	(7,446)	1,278,767	201,068	1,479,835
Net (loss) income for the period	-	-	(125,627)	-	-	(125,627)	6,391	(119,236)
Other comprehensive loss for the period	-	-	-	(2,377)	-	(2,377)	-	(2,377)
Total comprehensive (loss) income for the period	-	-	(125,627)	(2,377)	-	(128,004)	6,391	(121,613)
Dividends	-	-	-	-	-	-	(9,800)	(9,800)
Balance at 30 September 2020 (Unaudited)	600,000	180,000	407,575	(29,366)	(7,446)	1,150,763	197,659	1,348,422

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 (Unaudited)

For the nine-month period ended 30 September 2021

	<i>For the nine-month period ended 30 September</i>	
	<i>2021</i>	<i>2020</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING ACTIVITIES		
Income (loss) before zakat and income tax from continuing operations	29,336	(95,161)
Income (loss) before zakat and income tax from discontinued operations	471	(11,313)
Adjustments to reconcile income (loss) before zakat and income tax to net cash flows:		
Depreciation of property, plant and equipment	72,474	84,335
Depreciation of right-of-use assets	15,441	15,922
Employees' defined benefit liabilities	3,120	(16,993)
Finance costs	37,133	64,340
Share in results of associates and a joint venture	(6,625)	(17,239)
Loss (gain) on disposal of property, plant and equipment	71	(337)
	151,421	23,554
Working capital adjustments:		
Inventories	(125,914)	(32,723)
Accounts receivable	(118,052)	82,180
Contract assets	(40,570)	12,574
Advances, other receivables and prepayments	(67,054)	8,689
Net investment in finance lease	19,415	17,589
Accounts payable	(1,803)	(1,860)
Accruals and provisions	117,582	72,371
Contract liabilities	147,537	133,744
Cash from operations	82,562	316,118
Financial charges paid	(34,055)	(51,260)
Zakat and income tax paid	(13,035)	(13,379)
Net cash from operating activities	35,472	251,479
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(44,729)	(25,356)
Short-term investments	-	(80,000)
Proceeds from disposal of property, plant and equipment	1,070	400
Dividends received from an associate	5,000	7,500
Net cash used in investing activities	(38,659)	(97,456)
FINANCING ACTIVITIES		
Net movement in short term loans	179,311	294,673
Net movement in term loans	(151,402)	1,691
Payments against lease liabilities	(7,988)	(7,773)
Dividends paid to non-controlling interests	-	(9,800)
Net cash from financing activities	19,921	278,791
INCREASE IN CASH AND CASH EQUIVALENTS	16,734	432,814
Cash and cash equivalents at the beginning of the period	156,092	197,252
Movement in foreign currency translation reserve, net	(720)	(1,279)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	172,106	628,787
NON-CASH TRANSACTIONS:		
Exchange differences on property, plant and equipment	(509)	1,016
Exchange differences on right-of-use assets	(41)	82
Exchange differences on income and deferred taxes	5	-

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 (Unaudited)

At 30 September 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' 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>30 September 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%

At 30 September 2021

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 30 September 2021 were authorised for issuance in accordance with the Board of Directors resolution on 28 October 2021 (corresponding to 22 Rabi' al-Awwal 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 2020. In addition, the results of the operations for the period ended 30 September 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.

At 30 September 2021

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>Nine-month period ended 30 September (Unaudited)</i>	
	<u>2021</u>	<u>2020</u>
	<u>SR '000</u>	<u>SR '000</u>
Sale of goods	1,888,457	1,606,091
Revenue from long-term contracts	528,285	601,817
Rendering of services	197,042	205,967
Total revenue from contracts with customers	<u>2,613,784</u>	<u>2,413,875</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 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 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. Assessments for the years 2019 and 2020 have not yet been raised by the ZATCA.

The Zakat regulations in Saudi Arabia are subject to different interpretations and the assessments to be raised by the ZATCA 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 8 thousands (30 September 2020: net deferred tax expense of SR 230 thousands).

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

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

(continued)

At 30 September 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:

	<i>30 September 2021</i>	<i>30 September 2020</i>
	<i>SR'000</i>	<i>SR'000</i>
Revenues	1,552	120,127
Expenses	(1,081)	(129,484)
Operating income (loss)	471	(9,357)
Finance costs	-	(1,956)
Income (loss) before zakat from discontinued operations	471	(11,313)
Zakat expense	-	(960)
Income (loss) for the year from discontinued operations	471	(12,273)
The net cash flows incurred are as follows:		
Operating	31,397	3,765
Financing	(1,177)	(1,177)
Net cash inflow	30,220	2,588

Earnings per share:

	<i>30 September 2021</i>	<i>30 September 2020</i>
Basic and diluted earning (loss) for the period from discontinued operations	0.01	(0.20)

7 PROPERTY, PLANT AND EQUIPMENT

During the nine-month period ended 30 September 2021, the Group has acquired assets with a cost of SR 45 million (nine-month period ended 30 September 2020: SR 25 million) and charged depreciation to the interim condensed consolidated statement of income of SR 72 million (nine-month period ended 30 September 2020: SR 84 million). Assets with a net book value of SR 1,141 thousands were disposed by the Group during the nine months ended 30 September 2021 (30 September 2020: SR 63 thousands), resulting in loss on disposal of SR 71 thousands (30 September 2020: Gain of SR 337 thousands).

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 1,227 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 (Unaudited) -

(continued)

At 30 September 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>Nine-month period ended 30 September (Unaudited)</i>	
		<i>2021</i>	<i>2020</i>
		<i>SR '000</i>	<i>SR '000</i>
<i>Entity with significant influence over the Group</i>			
Zamil Group Holding Company	Sales	1,915	1,445
	Purchases	3,335	422
<i>Joint venture</i>			
Middle East Air Conditioners Company Limited	Sales	-	15,021
<i>Other related parties</i>			
	Sales	3,836	16,865
	Purchases	12,805	16,397

The compensation to the key management personnel during the period amounted to SR 3,687 thousands (30 September 2020: SR 3,869 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 30 September 2021 amounting to SR 47,322 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 30 September 2021 amounting to SR 16,128 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 (Unaudited) -

(continued)

At 30 September 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 nine-month period ended 30 September 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	1,036,283	1,440,427	136,369	705	2,613,784	-	2,613,784
Inter-segment	1,292	-	11,037	-	12,329	(12,329)	-
	1,037,575	1,440,427	147,406	705	2,626,113	(12,329)	2,613,784
Finance lease income	9,833	-	-	-	9,833	-	9,833
Total revenue	1,047,408	1,440,427	147,406	705	2,635,946	(12,329)	2,623,617
<i>Timing of revenue recognition:</i>							
At a point in time	797,081	1,152,967	147,406	705	2,098,159	(12,329)	2,085,830
Over time	240,494	287,460	-	-	527,954	-	527,954
	1,037,575	1,440,427	147,406	705	2,626,113	(12,329)	2,613,784
Gross profit (loss)	150,022	201,456	43,785	(1,293)	393,970	2,417	396,387
Operating income (loss)	7,020	33,946	12,433	(14,011)	39,388	3,970	43,358
<i>Unallocated income (expenses):</i>							
Share in results of associates and a joint venture							6,625
Other income, net							16,486
Finance costs							(37,133)
Income before zakat and income tax from continuing operations							29,336
Zakat and income tax							(11,423)
Net income for the period from continuing operations							17,913

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

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

(continued)

At 30 September 2021

11 SEGMENTAL INFORMATION (continued)

For the nine-month period ended 30 September 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>
<i>Revenue from contracts with customers:</i>							
External customer	1,064,818	1,201,671	145,094	2,292	2,413,875	-	2,413,875
Inter-segment	8,827	-	10,270	-	19,097	(19,097)	-
	<u>1,073,645</u>	<u>1,201,671</u>	<u>155,364</u>	<u>2,292</u>	<u>2,432,972</u>	<u>(19,097)</u>	<u>2,413,875</u>
Finance lease income	10,594	-	-	-	10,594	-	10,594
Total revenue	<u>1,084,239</u>	<u>1,201,671</u>	<u>155,364</u>	<u>2,292</u>	<u>2,443,566</u>	<u>(19,097)</u>	<u>2,424,469</u>
<i>Timing of revenue recognition:</i>							
At a point in time	782,553	890,946	155,364	2,292	1,831,155	(19,097)	1,812,058
Over time	291,092	310,725	-	-	601,817	-	601,817
	<u>1,073,645</u>	<u>1,201,671</u>	<u>155,364</u>	<u>2,292</u>	<u>2,432,972</u>	<u>(19,097)</u>	<u>2,413,875</u>
Gross profit (loss)	<u>104,106</u>	<u>155,409</u>	<u>45,373</u>	<u>(1,746)</u>	<u>303,142</u>	<u>2,033</u>	<u>305,175</u>
Operating (loss) income	(49,874)	(12,703)	12,814	(11,635)	(61,398)	2,033	(59,365)
<i>Unallocated income (expenses):</i>							
Share in results of associates and a joint venture							17,239
Other income, net							9,349
Finance costs							(62,384)
Loss before zakat and income tax from continuing operations							(95,161)
Zakat and income tax							(11,802)
Net loss for the period from continuing operations							<u>(106,963)</u>

At 30 September 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	2,665,334	2,164,251	441,468	574,557	5,845,610	(265,245)	5,580,365
Total liabilities	1,983,333	1,350,722	133,739	1,036,321	4,504,115	(275,777)	4,228,338
<i>Others:</i>							
Investment in associates and a joint venture	-	-	-	96,363	96,363	-	96,363
Capital expenditure	7,743	13,633	18,337	5,016	44,729	-	44,729

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

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

(continued)

At 30 September 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 consist of additions of property, plant and equipment.

Geographic information

	<i>For the nine-month ended 30 September</i>	
	<i>2021 SR '000</i>	<i>2020 SR '000</i>
<i>Revenue from external customers:</i>		
Saudi Arabia	1,912,360	1,879,096
Other Asian countries	335,628	354,704
Africa	375,629	190,669
	2,623,617	2,424,469
	<i>30 September 2021 SR '000</i>	<i>31 December 2020 SR '000</i>
<i>Non-current operating assets:</i>		
Saudi Arabia	734,936	772,908
Other Asian countries	117,049	120,901
Africa	67,880	70,933
	919,865	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 (Unaudited) -

(continued)

At 30 September 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

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>
30 September 2021					
<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
	<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>
31 December 2020					
<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 30 September 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 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 6.

14 SUBSEQUENT EVENTS

In the opinion of management, there have been no further significant subsequent events since the period ended 30 September 2021 that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.