Annual Report 2021

Zamil industrial

Zamil Industrial Investment Co.
P.O. Box 14441 Dammam 31424
Kingdom of Saudi Arabia

zamilindustrial.com

Contents

Board **of Directors**

Khalid A. Al Zamil

- **Chairman**
- Member, Nomination & Remuneration Committee

Abdallah Saleh Jum'ah

- **Vice-Chairman**
- Chairman, Nomination & Remuneration Committee

Ahmed Abdullah Al Zamil

Board Member

Adib Abdullah Al Zamil

- A representative of Zamil Group Holding Company

Mohammed A. Al Ghaith

- A representative of the Public Pension Agency
- Member, Audit Committee

Mohammad S. Al Harbi

- Chairman, Audit Committee
- Member, Nomination & Remuneration Committee

Khalid M. Al Fuhaid

- Member, Audit Committee

Abdulla Mohammed Al Zamil

- **Chief Executive Officer**

Vision

To be a Winning Industrial Leader Creating Superior Values for Business and Community

Honesty and Integrity

We believe that goodwill and a good reputation are integral to our business. We uphold honesty, integrity, professionalism and a high level of business ethics. We are prudent and fair in dealings with our stakeholders.

Customers and Excellence

We are diligent in understanding and fulfilling our customers' needs. We strive to please our customers by ensuring excellence in quality and service. We listen to our customers and "go the extra mile" to satisfy them.

Innovation and Change

We are passionate about meaningful innovation. We are a learning organization. We learn from our experiences and global best practices, and we innovate to create leading local solutions leveraging world class knowledge. We embrace positive change arising from innovation and our aspirations to grow our business.

Mission

To Win Markets' and Stakeholders' Trust Through Industrial Competence and Mutual Prosperity

Leadership and Prudence

We cultivate talent and leadership to create sound business solutions, to best meet our customer needs, and to develop markets, people and shareholder value. We do so by optimizing the use of funds, resources, materials and technologies. We build prudence and cost-effectiveness into our leadership culture and pass on the benefits to our customers.

Community and Prosperity

We believe in mutual prosperity. We aspire to thrive in business while bringing progress and prosperity to our own people and the communities where we operate. Our culture, our ideas, our practices, our environmental concern and our teamwork inspire us to create superior values for people and communities around us.

Chairman's Message

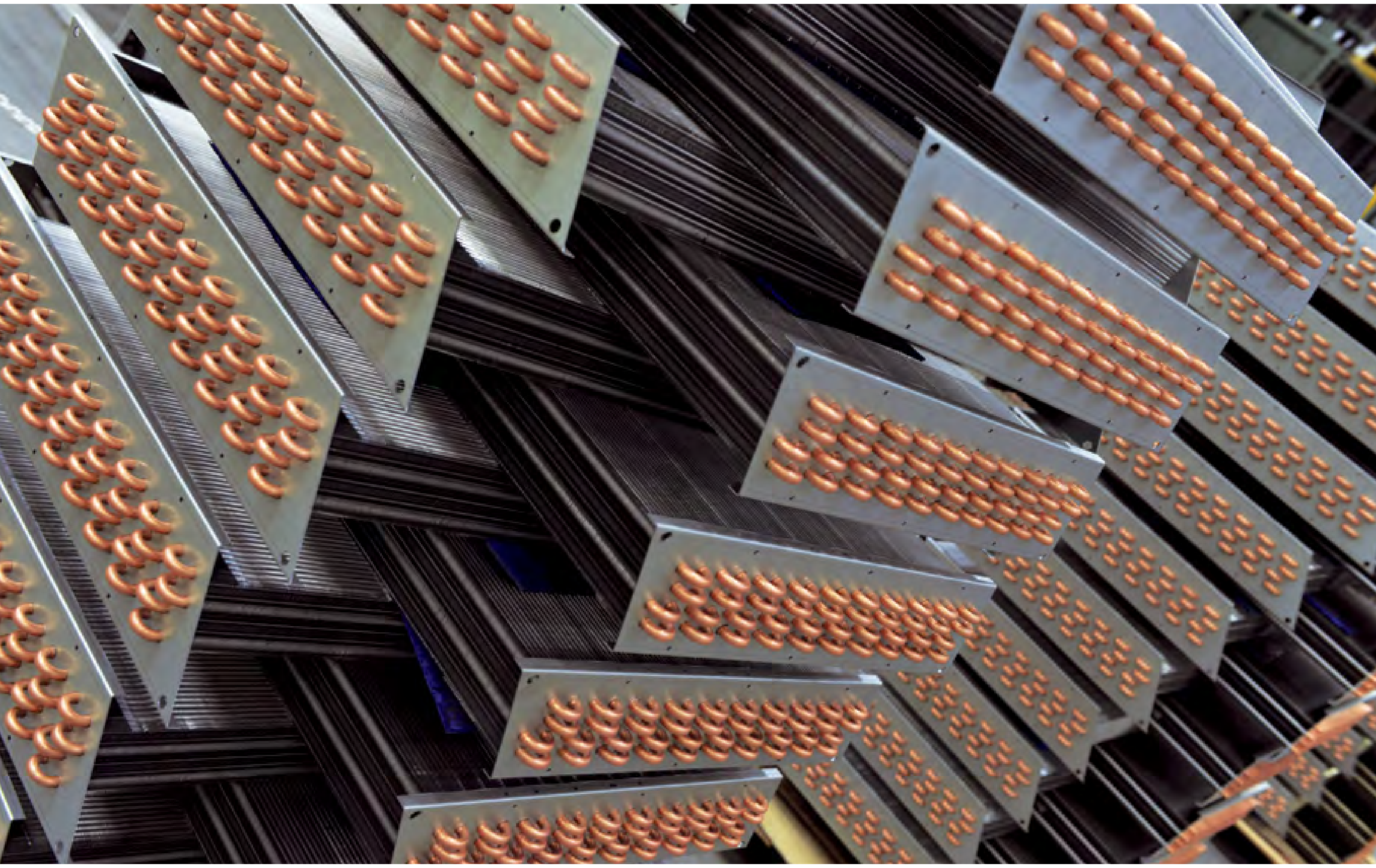
Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the annual report of Zamil Industrial Investment Company (Zamil Industrial) for the year 2021 on the company's overall performance and the results of its activities and investments both within and outside the Kingdom of Saudi Arabia.

Zamil Industrial recorded good revenues in the fiscal year ended 31 December 2021, despite the challenges facing the construction industry in particular and the domestic industrial sector in general, in addition to the economic situation and market conditions that we had to overcome. In 2021, Zamil Industrial saw a decrease in sales across all sectors, affecting the company's net profit.

The company maintained its cost-cutting and expense-control efforts, which resulted in improved operating margins in the Steel and Insulation sectors; a decrease of SAR 23.5 million in financial charges; and a decrease of SAR 36.8 million in losses from discontinued operations in the UAE's Steel sector and the Towers & Galvanizing Division in Saudi Arabia.

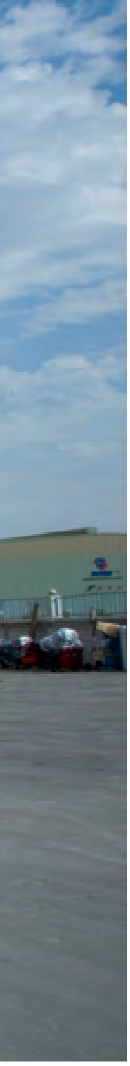
The coronavirus pandemic's consequences have had a substantial influence on many business sectors globally during the last two years, as markets have typically decreased, global growth has slowed, and debt levels have risen, affecting the majority of enterprises in the region. The implications have also impacted the construction sector, which is a critical component of socio-economic development, as well as a number of other sectors and industries. A significant pandemic consequence was the suspension of several construction sector activities in the Middle East as a result of social distancing practices that resulted in decreased production.



Chairman's Message (continued)

However, we now stand on solid ground that enables us to manage the crisis more effectively than ever, thanks to our cash position and the numerous measures we have implemented in recent years, such as reducing expenses to adapt to changing work environments, reducing costs and controlling expenses, enhancing activities and businesses that benefit from ongoing government projects, relying on operating expenses rather than capital expenditures, and capitalizing on all available opportunities.

The "Made in Saudi" program was launched this year. It is a Saudi Exports-led National Industrial Development and Logistics Program (NIDLP) initiative that aims to support local business growth by encouraging local consumers to buy more locally made products and assisting businesses in increasing their exports to priority markets. The Made in Saudi program, under one unified brand, will provide significant opportunities for companies to expand their reach and promote their products both domestically and globally. It also aims to increase private sector participation from 40% to 65%, as well as foreign direct investment in the domestic product, which will support Zamil Industrial sectors' operations in the medium and long term.



In terms of our export markets, construction and infrastructure projects remain strong in general, particularly in Gulf Cooperation Council countries and other regions where we operate. However, the continuous decline in the value of the local currency in both Egypt and India, as well as the economic slowdown, new taxes imposed recently, and the effects of the coronavirus pandemic on global supply chains, are all having a negative impact on production costs.

Zamil Industrial, on the other hand, has continued to operate in those markets and has increased its exports to a number of other countries. Even as governments try to halt the economic slowdown with new financial measures and the prospect of new business opportunities, profit margins remain under severe pressure due to intense competition in all markets.

We will maintain our emphasis on operational and business excellence as the company's executive management and all of its employees work to achieve the company's strategic goals and the Kingdom's Vision 2030. The company's management systems, policies, and procedures are updated on a regular basis, and new and global digital transformation technologies are being implemented to gain more flexibility and competitiveness, as well as to improve efficiency across the company's sectors.

Corporate governance has been incorporated into our core values. Throughout 2021, Zamil Industrial's Board of Directors was eager to carry out its responsibilities and ensure that the company's operations followed best practices in corporate governance. We are committed to adhering to governance and transparency principles and to continuing to guide the company's Secretariat and Internal Audit Department, which work tirelessly to ensure that the best available practices and the highest governance standards are followed across all sectors and fields of our business. In this regard, we pay close attention to the Saudi Stock Exchange's (Tadawul) recommendations in the pursuit of a sound investment environment for shareholders.

The industrial sectors continue to be the locomotive of sustainable development that the Kingdom prioritizes, in line with Vision 2030, which aims to make the Kingdom the best destination for a decent living for citizens and residents alike, based on the elements of a vibrant society, a prosperous economy, and an ambitious nation. The Kingdom has emerged as a major global

economic powerhouse that cannot be ignored, as evidenced by the Kingdom's presidency of the G20 Summit in 2020, during which it achieved remarkable success in light of the coronavirus crisis that ravaged the global economy.

Furthermore, the Board of Directors has decided to pursue social accomplishments while prioritizing social responsibility. The company has undertaken a number of social initiatives to strengthen its role in the service of our community, and we expect to make further advances in social responsibility. Zamil Industrial has also implemented a series of preventive and precautionary measures, including the use of all modern technological tools, to ensure the health and safety of employees and workers in all sectors of the company, as they are an essential component in achieving business objectives and increasing productivity, and they are the company's true wealth.

Looking to the future, we are confident in our continued ability to achieve the desired growth, especially given the Kingdom of Saudi Arabia's determination to continue supporting national economic development programs through the implementation of several economic reforms and the strengthening of the economic diversification strategy to meet various economic challenges. This will result in the creation of new opportunities for the company to achieve sustainable growth while also assisting its business in achieving returns and maximizing the value of shareholders' equity.

Finally, on behalf of the Board of Directors, I would like to express my heartfelt gratitude and appreciation to all Zamil Industrial employees for their dedicated work and contributions to the company's success, as well as to our customers for their faith in our abilities and products. My heartfelt gratitude and appreciation also go to our shareholders for their invaluable trust and unwavering belief in us, even during these challenging times. This trust inspires us to work tirelessly to achieve the company's objectives, aspirations, and strategies.

Khalid Abdullah Al Zamil
Chairman of the Board

Board of **Directors'** **Report** for 2021

Dear **Respected Zamil Industrial Shareholders,**

The Board of Directors of Zamil Industrial Investment Company (Zamil Industrial) is pleased to present shareholders with its annual report, including a review of Zamil Industrial's performance, activities and investments inside and outside the Kingdom of Saudi Arabia, and an overview of the company's overall status for the year 2021 by looking at its sectors: Steel, Air Conditioning, Insulation, and other industries.

The report also comprises the audited consolidated financial statements and notes for the fiscal year that ended on 31 December 2021, including the report prepared by Ernst & Young auditors, the balance sheet, revenue, changes in shareholders' rights, cash flow statements, and remarks on such statements for the aforementioned year.

1 Organization and Activities

Founded in 1998 and headquartered in Dammam, Saudi Arabia, Zamil Industrial Investment Company (Zamil Industrial) is a publicly listed company and a leading manufacturing and fabrication group that provides engineered products, systems and support services for the construction industry.

Today, we serve clients in more than 90 countries worldwide and operate businesses in four major industrial sectors – Steel, HVAC, Insulation Materials, and Concrete. We are majority shareholders in joint venture companies and own several subsidiaries. Our companies employ more than 9,000 people in 55 countries.

In keeping pace with the industrialization initiative of Saudi Arabia, Zamil Industrial has chosen to concentrate operations in the building, construction and industrial structures and equipment industries. All operations are ISO 9001 certified, and Zamil Industrial businesses are the regular recipients of prestigious industry rewards in recognition of attention to quality, customer service and leadership in the research and development of new technologies and industrial processes.

Manufacturing facilities operated by Zamil Industrial businesses are currently located in Saudi Arabia, the United Arab Emirates, Egypt, India, and Vietnam. Our companies manufacture and fabricate materials and provide innovative engineering systems, customized solutions and services to clients for use in construction and industrial operations.

Products and services include:

- Pre-engineered steel buildings and structural steel products
- Air conditioning systems, including maintenance, installation and operation services
- Process equipment
- Transmission and telecom towers, open-web joists and steel decks
- Precast concrete products
- Fiberglass and rock wool insulation
- Pre-insulated pipes
- Mineral, rock wool and sprayed polyurethane foam sandwich panels
- Building automation, security and protection systems
- Maintenance and inspection of industrial projects
- Turnkey project solutions

1998
Dammam

9,000+
people

55
countries

At Zamil Industrial, we provide customers with total building solutions. Our strength and diversity have enabled us to build the capacity to operate as a single-source provider capable of meeting complete project needs, from engineering and materials to climate control.

The company also offers award-winning installation and erection services.

Zamil Industrial shares are available for trading for all Saudis, GCC nationals, and foreign investors (both resident and qualified). They are actively traded on the Saudi Stock Exchange (Tadawul) under the name “Zamil Industrial” (Saudi Stock Exchange: 2240, International Code: SA0007879410). More information can be found at **www.saudiexchange.sa**

STEEL

HVAC

INSULATION

CONCRETE

Steel
Sector

Zamil Industrial’s Steel Sector is represented by **Zamil Steel Holding Company Ltd**. Founded in 1977, Zamil Steel is a global leader in the engineering and manufacturing of various quality steel products and the Middle East’s premier supplier of pre-engineered steel buildings, structural steel products and process equipment, transmission and telecommunications towers, open web steel joists and roof and floor steel decks.


B05

Zamil Steel engineers and produces fabricated steel of low-rise and high-rise steel buildings and structures for diverse industrial, commercial, agriculture, aviation, entertainment, and military applications and in support of infrastructure and development projects. Zamil Steel products are sold in more than 90 countries through an international network of dedicated sales and representative offices, certified builders, agents, and distributors.

Zamil Steel demonstrates its commitment to service at the local level by maintaining a network of nearly 55 area offices located in 34 countries, as well as a large number of certified builders, agents and distributors. These facilities are fully staffed and equipped to provide quick, comprehensive responses to customer inquiries, as well as extensive after-sales service.

Zamil Steel's main factories are based in Dammam, Saudi Arabia. Additional facilities are located in Egypt, Vietnam, India, and the UAE. The company employs hundreds of engineers in its engineering departments in Saudi Arabia, Egypt, Vietnam, and India. Zamil Steel utilizes state-of-the-art engineering and manufacturing software and machinery in the design, estimating, shop detailing, and manufacturing of each of its products.

The company is also the largest supplier of sandwich panels in Saudi Arabia. It produces more than 1.5 million square meters of sprayed polyisocyanurate (PIR) foam and mineral wool sandwich panels annually, in compliance with international standards.

The company also offers engineering services and turnkey solutions for the supply and installation of roof coverings and wall cladding, including the secondary members and all related accessories for new buildings as well as retrofitted buildings.

Additionally, the company operates in the field of maintenance and plant turnaround, providing professional services and technical expertise through its highly skilled workforce and wide range of resources.

Moreover, Zamil Steel offers the engineering, procurement and construction services needed to complete new projects in different market sectors, for a variety of purposes. The company provides the design, fabrication and supply of steel buildings, as well as related civil and concrete works; the erection of steel buildings; and the installation of firefighting and fire alarm systems, architectural materials, mechanical systems, electrical systems and plumbing works through turnkey contracts using full-site management teams

HVAC
Sector

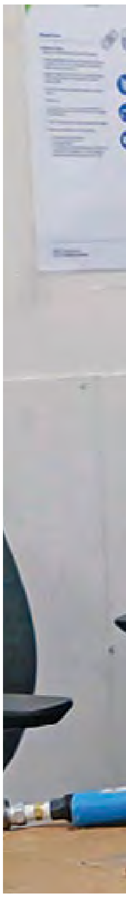
Zamil Industrial's HVAC Sector is represented by **Zamil Air Conditioners Holding Co. Ltd.** Founded in 1974 as a pioneer in the Saudi Arabian air conditioning industry, the company has expanded over the past five decades to become a leading international manufacturer of air conditioning systems and is currently the number one producer of such systems in the Middle East. Zamil Air Conditioners designs, manufactures, tests, markets and services a comprehensive range of air conditioning products, from compact room air conditioners and mini splits to large-scale central air conditioners, chillers and air-handling units for highly specialized commercial and industrial applications.

Currently ranked as the region's leading air conditioning equipment service and maintenance provider, the company employs more than 2,500 qualified technicians spread across 18 branches in Saudi Arabia and GCC countries. The company owns and maintains nearly 500 service vehicles, equipped with the necessary tools, equipment and emergency spare parts to repair and service any HVAC unit regardless of brand, capacity or make.

The company offers professional air conditioning services as well as complete preventive maintenance programs and other related HVAC services aimed at providing regular, scheduled checkups to keep air conditioning systems in optimum operating condition. It operates a Service & Parts department and offers annual service and maintenance contracts for banks, industrial establishments, oil and gas companies, retail outlets and homes, in addition to handling regular customer service calls.

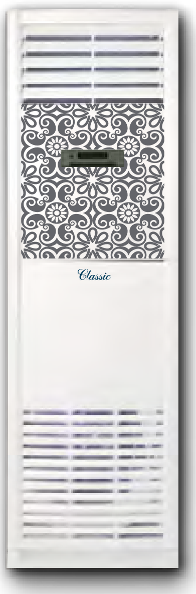
Zamil Air Conditioners has also developed a state-of-the-art Training Center, offering a complete range of training courses for the company's own technicians and engineers as well as for those employed by dealers and large corporate clients.

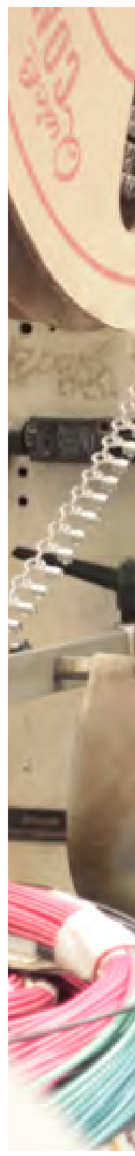
Moreover, Zamil Air Conditioners owns and operates Ikhtebar, the first independent laboratory created specifically for testing climate control solutions in the Middle East. Ikhtebar, which was constructed in 1984 by Intertek Testing Services and certified by Electrical Testing Laboratories (ETL), offers air conditioning manufacturers and importers a comprehensive range of performance tests for consumer and commercial air conditioners and chillers. The lab also plays a key role in



supporting research and development initiatives in the Heating, Ventilation and Air Conditioning (HVAC) industry in the Middle East, allowing Zamil Air Conditioners the distinction of being the only manufacturer in the region capable of guaranteeing compliance with local, regional and international specifications and standards of air conditioning products.

In 2010, Zamil Air Conditioners launched the first Saudi brand for anti-corrosion coating, ResisTec®, for high-quality anti-corrosion coating created specifically for HVAC products and components. The company developed ResisTec protective coating to help lower life-cycle costs, minimize HVAC depreciation and provide customers with the option to choose high-quality products and services that allow them to reduce costs and produce a healthier bottom line substantially. The innovative, environmentally friendly ResisTec technology protects





HVAC equipment from corrosion and deterioration with a negligible effect on the performance of the coated coils. Resistec was developed specifically to lengthen the product life cycle and minimize equipment failure, especially under harsh Middle Eastern climate conditions.

Furthermore, the company has been offering solar and green building solutions since 2012, as green building projects, particularly those using solar technology, are on the rise. Driven by a team of experienced industry professionals, the company is adept in engineering, procurement, construction and retrofit services. Connections with leading companies across the globe provide opportunities to manufacture and supply Solar Modules, Inverters, Batteries, LED lights and Thermal Heaters in accordance with international safety and quality certificates.

The company offers a complete solution for photovoltaic integration, including power conversion, electrical distribution, monitoring, supervision and technical support, with a complete solution from the solar panel's DC output to the grid connection with different types of systems.

Zamil Air Conditioners designs and manufactures high-quality duct systems and other HVAC industry–related products, utilizing state-of-the-art automated duct lines, Plasma Cutting, CNC Turret punch press and other specific machinery through two duct factories located in Yanbu and Dammam, Saudi Arabia. The company also offers robotic duct cleaning solutions, using the latest European technologies to improve air quality and operational efficiency of air conditioning systems

Insulation
Sector

Zamil Industrial maintains a presence in the insulation sector through **Gulf Insulation Group (GIG)**, of which Zamil Industrial is managing partner and major shareholder, with 51% of the equity. GIG comprises three companies: **Arabian Fiberglass Insulation Co. Ltd. (AFICO), Saudi Rock Wool Factory Company (SRWF), and Saudi Pre-Insulated Pipes Industries (SPPI).** These companies enjoy excellent reputations for the high quality of their environmentally efficient insulation products and solutions, all of which conform to the highest international standards.

GIG operates as a joint venture with Owens Corning, USA, the world leader in the technology of manufacturing fiberglass products. The Group manufactures premium quality glass wool insulation products for industrial and commercial applications. It is also the only manufacturer of fiberglass insulation products in Saudi Arabia. The Group's premium quality products and services are comparable to those of its counterparts in the United States and Europe.

Since 1992, the Group has been manufacturing rock wool products for construction and industrial customers, providing materials for the local and international markets ever since. The company focuses on rock wool, one of the most effective and widely used thermal, acoustical and fire insulation materials.

The Group's production capacity reaches 65,000 tons per annum. It currently owns about 80% of the rock wool production capacity in Saudi Arabia and 55% of the existing capacity in the GCC region, using the latest technology in this field. The Group employs qualified technical staff with vast experience in providing customers with the best products and services.

Additionally, the Group has been designing and manufacturing pre-insulated, prefabricated systems for aboveground, underground, cooling/heating and process piping since 1983. It produces high-quality pre-insulated pipes and HDPE products customized to meet the unique requirements of each individual customer as closely as possible. The Group also provides its customers with on-site technical assistance and installation supervision.

In addition, the Group maintains advanced in-house capabilities to perform computerized stress analysis using specialized software. This analysis

determines the stresses in the carrier steel pipe; detects any axial movement, which will provide data for the anchor design; and indicates whether the expansion joints are needed.

The Group's high-density polyethylene (HDPE) pipes can be utilized in various applications, including wastewater systems, irrigation systems, gas pipeline systems, lining and relining and potable water systems.

Concrete
Sector

This sector is represented by **Rabiah & Nassar and Zamil Concrete Industries Co. Ltd. (Ranco Zamil)**, in which Zamil Industrial has a 50% equity interest.

The Rabiah and Nassar Precast Concrete Factory (RANCO Precast) designs, manufactures and erects precast concrete buildings used for various applications, including residential properties, schools, shopping malls and industrial plants.

The factory also produces wall panels and fabricates a variety of other concrete-based products used in the construction industry, including standard and non-standard columns, plinth foundations, pre-stressed beams, pre-stressed double TT-slabs and flat slabs, hollow core slabs, boundary walls and road construction supplies

The following table details the company's shares in its subsidiaries:

	Subsidiary	Capital	Ownership Percentage	Activity	Country of Operation	Country of Incorporation
1	**Zamil Steel Holding Co. – and its subsidiaries:**	SAR 250 million	100%	Holdings	KSA	KSA
	Zamil Steel Pre-Engineered Buildings Co. Ltd.	SAR 50 million	100%	Steel buildings	KSA	KSA
	Zamil Structural Steel Co. Ltd.	SAR 75 million	100%	Structural steel	KSA	KSA
	Zamil Towers and Galvanizing Co. Ltd.	SAR 70 million	100%	Transmission and telecommunications towers	KSA	KSA
	Zamil Process Equipment Co. Ltd.	SAR 55 million	100%	Process equipment	KSA	KSA
	Building Component Solutions Co. Ltd.	SAR 25 million	100%	Insulated sandwich panels	KSA	KSA
	Zamil Steel Construction Co. Ltd.	SAR 1 million	100%	Steel industry project management	KSA	KSA
	Zamil Inspection and Maintenance of Industrial Projects Co. Ltd.	SAR 2 million	100%	Inspection and maintenance	KSA	KSA
	Metallic Construction and Contracting Co. Ltd.	EGP 250,000	100%	Steel buildings	Egypt	Egypt
2	**Zamil Air Conditioners Holding Co. – and its subsidiaries:**	SAR 1 million	100%	Holdings	KSA	KSA
	Zamil Air Conditioners and Home Appliances Co. Ltd.	SAR 173 million	100%	Air conditioners	KSA	KSA
	Zamil Central Air Conditioners Co. Ltd.	SAR 101 million	100%	Air conditioners	KSA	KSA
	Zamil Air Conditioning and Refrigeration Services Co. Ltd.	SAR 35.7 million	100%	Maintenance and services	KSA	KSA
	Ikhtebar Co. Ltd.	SAR 500,000	100%	HVAC Testing	KSA	KSA
	Eastern District Cooling Co. Ltd.	SAR 1 million	100%	District cooling systems	KSA	KSA
	Zamil Energy Services Co. Ltd.	SAR 1 million	100%	Technical engineering services	KSA	KSA
	Zamil Air Conditioning and Refrigeration Services Co. W.L.L.	BHD 270,000	100%	Maintenance and services	Bahrain	Bahrain
3	**Arabian Stonewool Insulation Co.**	SAR 10 million	100%	Stonewool insulation	KSA	KSA
	Second Insulation Co. Ltd.	SAR 50,000	100%	Insulation materials marketing	KSA	KSA
	Saudi Preinsulated Pipes Industries.	SAR 7.2 million	51%	Pre-insulated pipes	KSA	KSA
4	**Gulf Insulation Group (CJSC).**	SAR 21.1 million	51%	Insulation materials	KSA	KSA
5	**Zamil Steel Buildings Co.**	EGP 100 million	100%	Steel buildings	Egypt	Egypt
6	**Zamil Steel Buildings (Shanghai) Co. Ltd.**	RMB 12,5 million	100%	Steel buildings	China	China
7	**Zamil Steel Buildings India Pvt. Ltd.**	INR 886.1 million	100%	Steel buildings	India	India
8	**Zamil Steel Engineering India Pvt. Ltd.**	INR 51.2 million	100%	Engineering office	India	India
9	**Zamil Industrial Investment Co. (LLC)**	AED 5 million	100%	Holdings	UAE	UAE
10	**Zamil Steel Industries (LLC)**	AED 20 million	100%	Steel buildings	UAE	UAE
11	**Zamil Structural Steel Co. Ltd.**	USD 10 million	100%	Structural steel	Egypt	Egypt
12	**Zamil Construction India Pvt. Ltd.**	INR 13.7 million	100%	Steel industry project management	India	India
13	**Zamil Information Technology Global Pvt. Ltd.**	INR 23.5 million	100%	Information technology	India	India
14	**Zamil Higher Institute for Industrial Training**	SAR 8.14 million	100%	Industrial training	KSA	KSA
15	**Zamil Air Conditioners India Pvt. Ltd**	INR 1,372.7 million	100%	Air conditioners	India	India
16	**Saudi Central Energy Co. Ltd.**	SAR 1 million	100%	District cooling project management	KSA	KSA
17	**Zamil Industrial Investment Co. Asia Pvt. Ltd.**	SGD 1	100%	Holdings	Singapore	Singapore
18	**Zamil Steel Buildings Vietnam Co. Ltd.**	SAR 13.2 million	92.27%	Steel buildings	Vietnam	Vietnam

A portion of the parent company's shares in the subsidiaries outside Saudi Arabia listed above is in the names of members of the Board of Directors or senior executives in their capacities as shareholders nominated to act on behalf of the parent company in accordance with legal requirements in the countries where such subsidiaries operate.

2 The Company's Investments

Investments in associates are as follows:

1. A 50% share in Rabiah & Nassar and Zamil Concrete Industries Co. Ltd., whose main headquarters is located in Riyadh and is engaged in the production of precast concrete products.
2. A 20.83% share in IIB Paper Company Limited, which is registered in the Cayman Islands. Its principal activity is the production of tissue paper.

Investments in joint ventures are as follows:

1. A 51% share in Middle East Air Conditioners Company Limited, whose main headquarters is located in Dammam. It engages in the sale and promotion of air conditioners.

Available for sale investments are as follows:

1. A 2.11% share in Kinan International for Real Estate Development Company (Closed Joint Stock Company). Its principal activity is investment in real estate.

3 Future Plans and Important Decisions

The company's principal future plans and important decisions include:

A) Continued efforts to expand and increase the yields of adjacencies of the company's sectors in its operating geographic regions to enhance the company's ability to control the value chain, thus maximizing the company's chances of earning higher returns for owners.

B) Continue to rationalize expenditures and increase production efficiency and cash management, which will enable the company to improve its financial position and earn higher returns for owners.

C) Right-size a selection of activities in an effort to maximize yields and mitigate costs.

4 Performance Highlights

Revenues amounted to SAR 3,524 million as of 31 December 2021, an increase of SAR 140.8 million (4.2%) from SAR 3,383 million in 2020. Net loss for the year, after deducting Zakat and tax, was SAR (159.4) million, compared with a net loss of SAR (159.9) million in 2020, a decrease of 0.3%. Loss per share, after deducting Zakat and tax, was SAR (2.66), compared with SAR (2.66) during the same period in 2020. Comparative figures have been reclassified to conform with the presentation in the current period.

The following table details the contribution of each principal activity to the total annual revenues:

Item	2021	2020	Change
Air Conditioning Industry	**38.1%**	45.9%	-13.4%
Steel Industry	**56.7%**	48.6%	21.5%
Insulation Industry	**5.9%**	6.2%	-2.0%
Head Office and Others	**-0.7**	-0.7%	-1.6%
	100%	**100%**	

A) Statement of Income:

Item (SAR '000)	2021	2020	2019	2018	2017
Sales	**3,523,817**	3,382,962	4,038,583	4,313,649	4,403,850
Cost of sales	**3,048,073**	2,936,601	3,451,737	3,598,279	3,495,651
Gross profit	**475,744**	446,361	586,846	715,370	908,199
Total expenses	**647,948**	654,470	738,568	843,864	785,070
Other income, net	**28,674**	63,256	30,735	2,292	(2,298)
Zakat	**15,887**	15,020	17,822	13,631	15,813
Net income	**(159,417)**	(159,873)	(138,809)	(139,833)	105,018

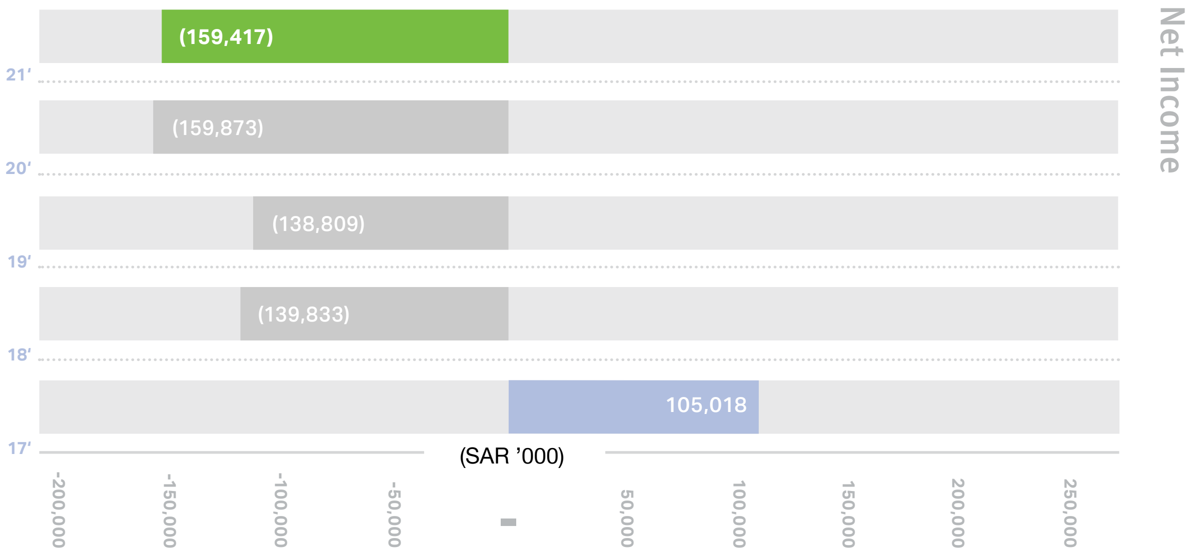
B) Balance Sheet:

Item (SAR '000)	2021	2020	2019	2018	2017
Current assets	**4,432,260**	3,867,073	4,100,238	4,241,708	4,036,713
Current liabilities	**4,276,517**	3,647,001	3,696,223	3,848,401	3,434,758
Working capital	**155,743**	220,072	404,015	393,307	601,955
Other long-term assets	**486,966**	539,794	582,452	502,992	555,122
Fixed assets	**804,853**	868,553	960,708	1,018,511	1,089,888
Total assets	**5,724,079**	5,275,420	5,643,398	5,763,211	5,681,723
Current liabilities	**4,276,517**	3,647,001	3,696,223	3,848,401	3,434,758
Long-term loans	**7,040**	14,510	144,986	38,734	67,255
Other long-term liabilities	**290,898**	279,001	322,354	251,961	303,330
Total liabilities	**4,574,455**	3,940,512	4,163,563	4,139,096	3,805,343
Paid capital	**600,000**	600,000	600,000	600,000	600,000
Reserves and retained earnings	**366,724**	533,469	678,767	815,946	1,064,703
Minority interest	**182,900**	201,439	201,068	208,169	211,677
Shareholders' equity	**1,149,624**	1,334,908	1,479,835	1,624,115	1,876,380
Total liabilities and shareholders' equity	**5,724,079**	5,275,420	5,643,398	5,763,211	5,681,723

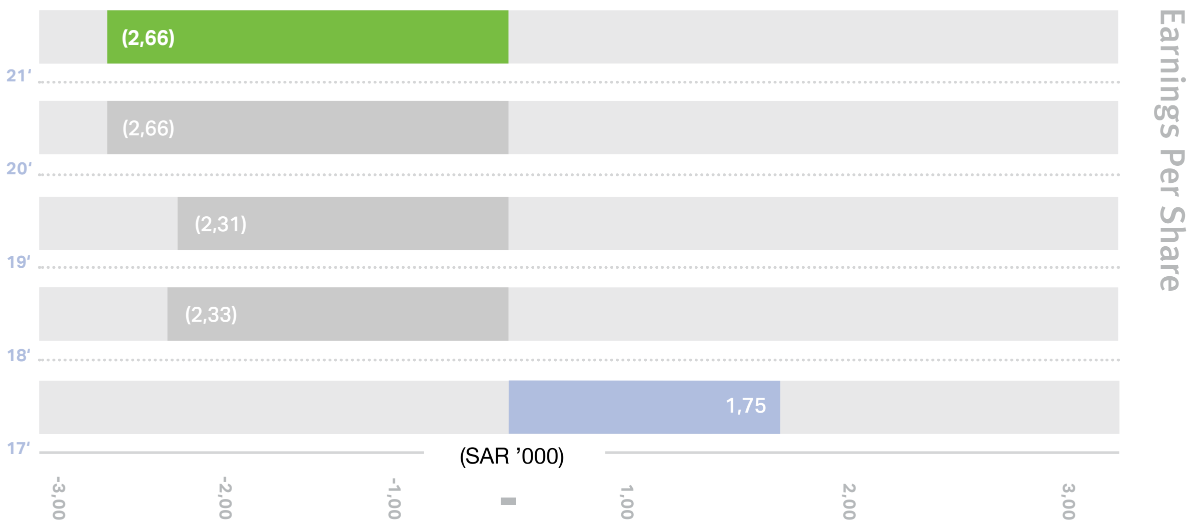
C) Outcome of Operation Activities:

Item (SAR '000)	2021	2020	Change	%
Sales	**3,523,817**	3,382,962	140,855	4.2%
Cost of sales	**3,048,073**	2,919,850	111,472	3.8%
Total operating profits	**(110,419)**	(60,754)	(49,041)	79.9%
Expenses of main operations	**583,163**	523,866	78,424	15.4%
Losses of main operations	**-**	-	-	-60.3%
Other revenue/expenses	**33,111**	85,666	(50,364)	5.8%
Deductions: Zakat or tax	**15,887**	13,453	867	-0.3%
Net profits (loss)	**(159,417)**	(159,873)	456	-0.3%

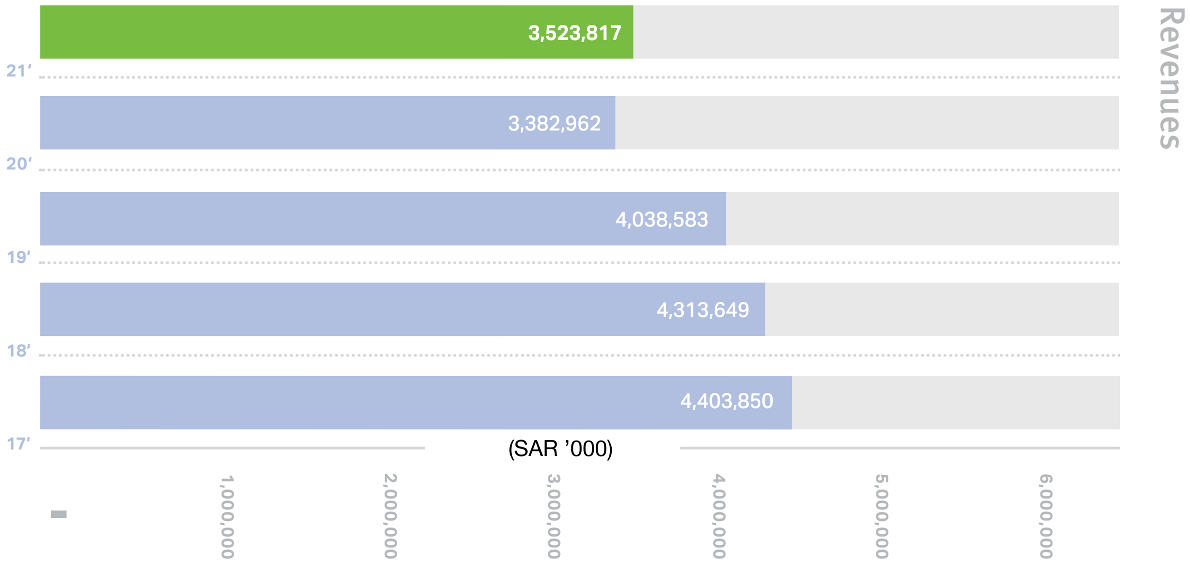
The following chart shows net incomes between 2017 and 2021:



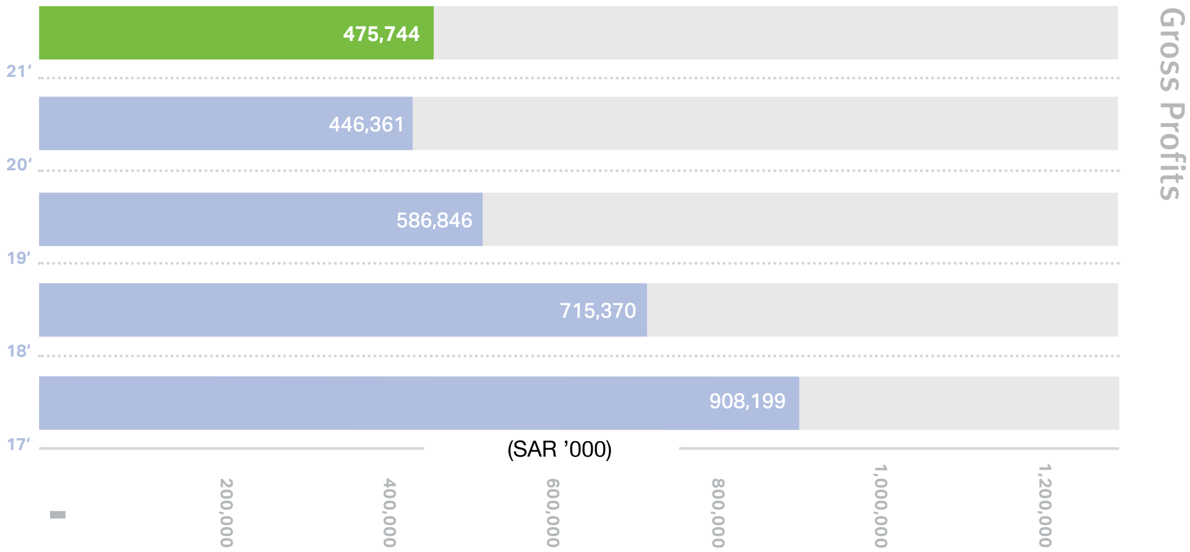
The following chart shows earnings per share between 2017 and 2021:



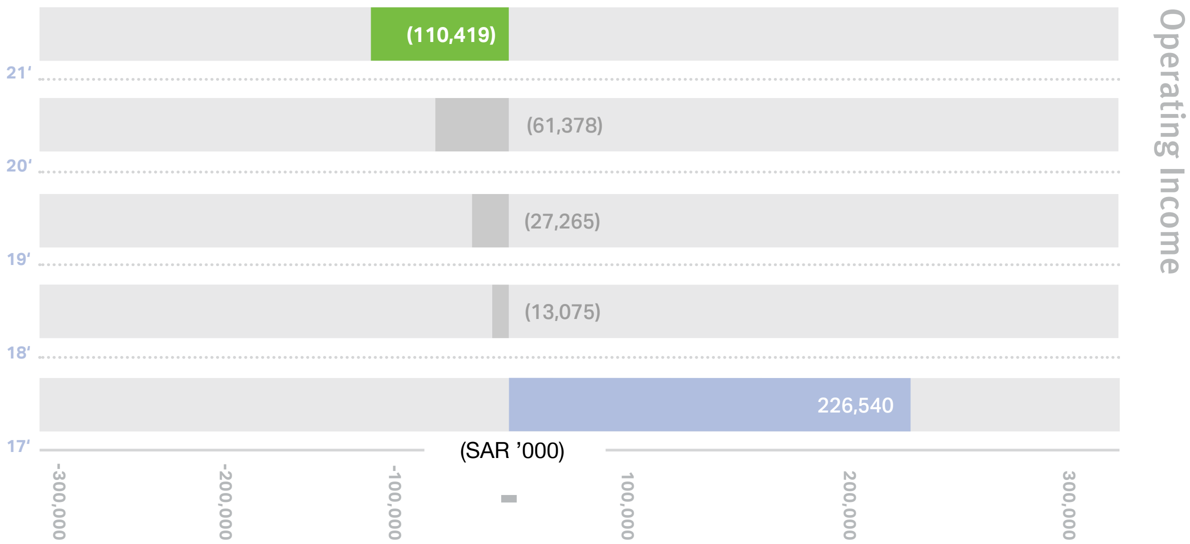
The following chart shows consolidated revenues over the past five years:



The following chart shows gross profits over the past five years:

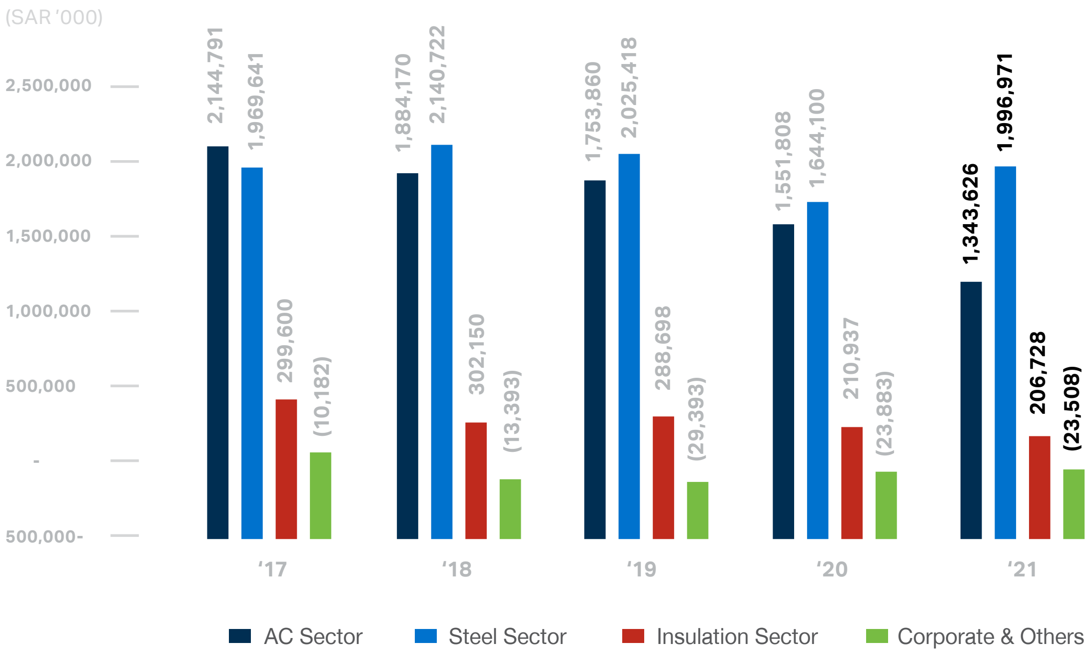


The following chart shows operating incomes over the past five years:



Sales by Business Segments

The Steel sector's revenue in 2021 was SAR 1,996.9 million, an increase of 21.5%. The AC sector's revenue decreased 13.4% to SAR 1,343.6 million. The Insulation sector's revenue also saw a 2.0% decrease to SAR 206.7 million.

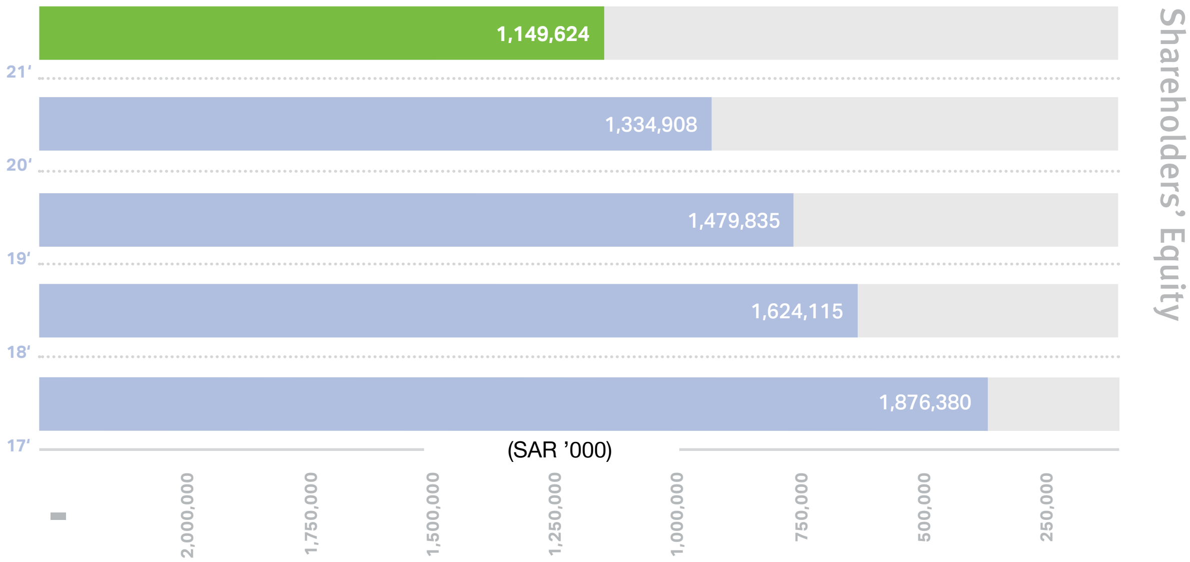


Sales by Geographic Area

Geographically, the company's revenues based on operations in the Kingdom of Saudi Arabia totaled SAR 2,541.6 million. Revenues of the company's subsidiary factories outside the Kingdom of Saudi Arabia totaled SAR 982.2 million. This analysis, however, does not include exports, which are detailed in the exports section of the report.

The following chart shows the company's assets and liabilities over the past five years.

Shareholders' equity saw a drop of 13.9% to SAR 1,149.6 million, compared with SAR 1,334.9 million in 2020, as shown in the following chart:



The company's exports amounted to about SAR 435.9 million in 2021, compared with SAR 492 million in 2020. Exports constituted about 12.4% of total sales in 2021. The company's products are exported to more than 90 countries by means of a network of sales and representative offices in more than 55 countries around the world.

5 On inconsistencies with the Saudi Organization for Certified Public Accountants' Accounting Standards

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed in the Kingdom of Saudi Arabia, as well as other standards and versions endorsed by the Saudi Organization for Certified Public Accountants. The Board of Directors declares that no inconsistencies exist with the approved accounting standards. All comparative figures have been reclassified in accordance with the new International Financial Reporting Standards.

6 Loans

This comparison table details loans contracted by the company's management:

Item	2020 (SAR '000)	2021 (SAR '000)	Date Obtained	Due Date	Base Loan Amount (SAR '000)	Lender
Loan No. 1	**49,642**	**8,600**	29/08/2012	24/04/2024	**128,037**	Saudi Industrial Development Fund
Loan No. 2	**11,600**	**6,800**	10/10/2019	11/10/2022	**11,600**	Saudi Industrial Development Fund
Loan No. 3	**120,000**	**0**	30/09/2019	30/09/2021	**120,000**	Saudi Industrial Development Fund
Loan No. 4		**30,000**	30/11/2021	01/12/2024	**30,000**	SABB - Saudi British Bank
Loan No. 5		**2,265**	31/03/2021	07/04/2025	**2,265**	HDFC Bank India
	181,242	**47,665**				
Less: Current installment	**-165,803**	**-40,208**				
Less SIDF Front-End Fees	**-929**	**-417**				
	14,510	**7,040**				

7 Financial Risk Management Objectives and Policies

The Group's principal financial liabilities comprise loans and borrowings and accounts payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include accounts receivables, net investment in finance lease, short-term deposits, cash and bank balances that derive directly from its operations. The Group also holds investment in unquoted shares that is classified as equity investment at fair value through other comprehensive income.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management regularly review the policies and procedures to ensure that all the financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group does not engage into any hedging activities. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

A) **Market risk:** Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commission rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, short-term deposits and equity instruments at fair value through other comprehensive income. The sensitivity analyses in the following sections relate to the position as at 31 December 2021 and 2020.

Commission rate risk
Commission rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. The Group's exposure to the risk of changes in market commission rates relates primarily to the Group's long-term and short-term loans and its short-term deposits. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates. At 31 December 2021 and 2020, the Group's exposure to commission rate risk was not significant as its major long-term and short-term loans were subject to fixed commission rates.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries and associates. The Group did not undertake significant transactions in currencies other than Saudi Riyals, US Dollars, Japanese Yen, Egyptian Pound, Indian Rupees, Bahraini Dinar, and Euros during the year. As Saudi Riyals are pegged to US Dollars, balances in US Dollars are not considered to represent significant currency risk. The Group is exposed to currency risk on transactions and balances in Euros, Japanese Yen, Indian Rupees, Bahraini Dinar and Egyptian Pound. The Group manages currency risk exposure to Euros, Japanese Yen, Indian Rupees, Bahraini Dinar and Egyptian Pound by continuously monitoring the currency fluctuations. At 31 December 2021 and 2020, the Group's exposure to foreign currency changes for its accounts receivable and accounts payable was not material.

The Group is exposed to significant foreign currency changes on its net investment in foreign operations in Egyptian Pounds and India Rupees. The following tables demonstrate the sensitivity to a reasonably possible change in Egyptian Pound and Indian Rupee exchange rates, with all other variables held constant. The impact on the Group's pre-tax equity is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in **Egyptian Pound** rate	Effect on other components in equity (SAR '000)
31 December 2021	**+3%**	**1,574**
	-3%	(1,574)
31 December 2020	**+ 3%**	**1,133**
	- 3%	(1,133)

	Change in **Indian Rupee** rate	Effect on other components in equity (SAR '000)
31 December 2021	**+2%**	**955**
	-2%	(955)
31 December 2020	**+2%**	**1,768**
	-2%	(1,768)

Commodity risk
The Group is exposed to the impact of market fluctuations of the price of various inputs to production including steel, electric parts, glass materials and electricity. The Group prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of such materials to manage the risk.

Equity price risk
The Group's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to unlisted equity securities at fair value was SR 52,359 thousands (2020: SR 53,650 thousands).

B) **Credit risk:** Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk on its bank balances, short-term deposits, accounts receivables, contract assets, net investment in finance lease and some other receivables as follows:

	31/12/2021	31/12/2020
	(SAR '000)	
Bank balances	**226,728**	128,194
Short-term deposits	**51,049**	24,921
Accounts receivable	**1,775,474**	1,718,629
Contract assets	**659,141**	616,215
Net investments in finance lease	**292,506**	317,105
Other receivables	**90,519**	80,997
	3,095,417	2,886,061

Accounts receivable and contract assets
Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and ensuring close follow ups.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses for each business unit of the Group. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. geographical region, product type, customer type and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed loss rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in a particular sector, the historical loss rates are adjusted. At every reporting date, the historical observed loss rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed loss rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual loss in the future.

Generally, accounts receivables are written-off if past due for more than three years and are not subject to enforcement activity. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured. At 31 December 2021, the Group has obtained letter of credits as collateral over its receivables amounting to SR 50.4 million (2020: 109.2 million) from its certain customers. The Group determined that such receivable are not exposed to significant credit risk and therefore have not been considered in ECL assessment. The Group evaluates the concentration of risk with respect to trade accounts receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Set out below is the information about the credit risk exposure at 31 December 2021 on the Group's accounts receivable and contract assets:

Accounts receivable	**Gross carrying amount** (SAR '000)	**Loss Rate %**	**Expected credit losses** (SAR '000)
Current	562,870	1%	5,050
Less than 30 days	147,522	5%	6,913
31 - 60 days	88,711	3%	2,281
61 - 90 days	62,050	3%	1,776
91 - 180 days	142,746	6%	8,182
181-360 days	210,349	13%	28,285
More than 360 days	626,049	56%	348,298
Retentions receivable	238,230	1%	1,687
	2,078,527		402,472
Contract assets	**674,329**	2%	15,861
	2,752,856		**418,333**

Set out below is the information about the credit risk exposure at 31 December 2020 on the Group's accounts receivable and contract assets:

Accounts receivable	Gross carrying amount (SAR '000)	Loss Rate %	Expected credit losses (SAR '000)
Current	500,064	1%	4,497
Less than 30 days	153,913	2%	3,044
31 - 60 days	64,831	3%	1,741
61 - 90 days	55,477	4%	2,219
91 - 180 days	88,396	5%	4,611
181-360 days	193,219	13%	25,563
More than 360 days	611,984	44%	270,762
Retentions receivable	187,631	1%	1,231
	1,855,515		313,668
Contract assets	**625,854**	2%	9,745
	2,481,369		**323,413**

Based on a provision matrix, the Group's expected credit losses at 31 December 2021 against its accounts receivable and contract assets exposed to credit risk amounted to SR 402.5 million and SR 16 million (2020: R 313.7 million and SR 9.7 million) respectively. Accordingly, the Group recognised an amount of SR 99.2 million (2020: SR 46.5 million) as provision for expected credit losses in its consolidated statement of income for its continuing operations. Related parties receivable include an amount of SR nil (2020: SR 11.1 million) attributable to discontinued operations. The Group recognised an amount of SR nil (2020: 857 thousands) as provision for expected credit losses as part of its net loss on discontinued operations in the consolidated statement of profit or loss.

Bank balances and short-term deposits
Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks. At the reporting date, no significant concentration of credit risk were identified by the management.

C) **Liquidity risk:** Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Group manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis. The Group manages its liquidity risk by ensuring that bank facilities are available. The Group's terms of sales require amounts to be paid within 30 to 180 days of the date of submitting the invoice. Trade payables are normally settled within 30 to 120 days of the date of purchase.

Excessive concentration risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's management focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Item	on demand	< 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
As at 31 December 2021						
(SAR '000)						
Accounts payable	19,655	604,886	-	-	-	**624,541**
Lease liabilities	-	8,818	7,945	39,674	38,078	**94,515**
Other financial liabilities	-	464,763	-	-	-	**464,763**
Short term loans	-	2,422,243	13,126	-	-	**2,435,369**
Term loans	30,000	3,900	6,456	7,308	-	**47,664**
	49,655	**3,504,610**	**27,527**	**46,982**	**38,078**	**3,666,852**

Item	on demand	< 6 months	6 - 12 months	1 - 5 years	> 5 years	Total
As at 31 December 2020						
(SAR '000)						
Accounts payable	16,178	440,413	-	-	-	**456,591**
Lease liabilities	-	20,685	10,865	39,656	48,330	**119,536**
Other financial liabilities	-	374,149	-	-	-	**374,149**
Short term loans	-	2,161,550	-	-	-	**2,161,550**
Term loans	8,000	21,000	137,042	15,200	-	**181,242**
	24,178	**3,017,797**	**147,907**	**54,856**	**48,330**	**3,293,068**

Changes in liabilities arising from financing activities:

As at 31 December 2021

	January 1 2021	Cash inflow/ others	(Cash outflow)	December 31 2021
	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)
Short term loans	2,161,550	20,591,098	(20,317,279)	2,435,369
Term loans	180,313	32,777	(165,842)	47,248
Lease liabilities	91,238	(7,540)	(12,323)	71,375
Total liabilities from financing activities	**2,433,101**	**20,616,335**	**(20,495,444)**	**2,553,992**

As at 31 December 2020

	January 1 2020	Cash inflow/ others	(Cash outflow)	December 31 2020
	(SAR '000)	(SAR '000)	(SAR '000)	(SAR '000)
Short term loans	2,481,828	12,050,139	(12,370,417)	2,161,550
Term loans	192,386	4,520	(16,593)	180,313
Lease liabilities	103,520	4,159	(16,441)	91,238
Total liabilities from financing activities	**2,777,734**	**12,058,818**	**(12,403,451)**	**2,433,101**

8 Due Statutory Payments

The following table shows paid and due statutory payments for 2021:

Item	2021	2020
	(SAR '000)	
Custom charges	**34,151**	34,052
Visas and passports	**22.204**	33,171
Zakat and tax	**214,707**	133,452
General Organization for Social Insurance	**38,318**	30,178
Other	**-**	-
Total government charges:	**309,380**	230,854

9 Awards, Certifications and Quality

All Zamil Industrial subsidiaries are ISO 9000 certified by recognized competent organizations. Additionally, most subsidiaries have obtained OHSAS 18001 Occupational Health and Safety Management Systems and ISO 14001 Environmental Management System (EMS) certification. The Information Technology Department (IT) at Zamil Industrial has also obtained ISO/IEC 20000 certification for providing IT management services.

In April, Zamil Steel Buildings Vietnam marked a great year of achievement and was awarded the prestigious Golden Dragon Award 2020–2021 for the 17th consecutive year, marking 24 years of excellence in Vietnam and Southeast Asia. The Golden Dragon Award is an annual event established in 2001 to recognize excellence in manufacturing, business and foreign-invested enterprises that make significant contributions to the Vietnamese economy.

In 2021, the Maintenance, Repair, and Overhaul (MRO) division of Zamil Air Conditioning & Refrigeration Services Co. Ltd. (Zamil CoolCare) was recertified by the National Environmental Balancing Bureau (NEBB) for another two years for testing, adjusting and balancing (TAB) environmental systems and whole building technical commissioning for new construction.

NEBB certification is tangible proof that a professional is qualified to perform work in accordance with NEBB procedural standards. This is further proof that Zamil CoolCare maintains high standards and delivers on its promise to be an exceptional service company.

In addition, Zamil Steel Construction Co. Ltd. was audited and certified by RICI Company Ltd. for meeting the requirements of ISO (International Organization for Standardization) 9001:2015 Quality Management System Certification. RICI is a CQI and IRCA (International Register of Certificated Auditors, UK) approved training organization and an IAS (International Accreditation Service, USA) accredited certification and inspection body. ISO 9001:2015 is an international standard that defines the basic elements of a quality system that organizations use to ensure that their services meet and exceed the expectations of customers and other stakeholders.

In 2021, Zamil Construction India Pvt. Ltd., a subsidiary of Zamil Industrial, received Certificates of Recognition in recognition of its outstanding safety practices and for completing client projects throughout India. The company completed all construction work without a single workplace accident resulting in a fatality. These achievements are an important milestone for Zamil Construction India in maintaining workplace safety.

Finally, Zamil Steel Buildings India Pvt. Ltd. and Zamil Construction India Pvt. Ltd. were recertified for their Integrated Management System (IMS) for their facilities in Pune, Maharashtra, India. This certification combines the three main standards—ISO 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System, and ISO 45001:2018 Occupational Health and Safety Management System—into one coherent system.

10 Human Resources and Workforce Localization

Zamil Industrial attaches great importance to its human resources as they are the most important element in the management and operation of the company and are the basis for excellent business performance. Since its inception, the company has focused on attracting candidates with top-notch credentials and practical qualifications for key positions. In addition, the company has focused on developing human competencies by providing excellent growth and learning opportunities for its employees in all areas and sectors of the company.

At the end of 2021, Zamil Industrial employed a total of nearly 7,000 people in Saudi Arabia, a 2% decrease from the previous year. This is due to the impact of the coronavirus pandemic on various business units as well as the restructuring of some of the company's business units. The total number of Saudi nationals increased by 4%, while the total number of expatriate employees decreased by a similar percentage.

The percentage of localization of jobs reached about 29.5% of the company's total workforce in 2021, up 2% from 2020. In particular, the Steel and AC sectors recorded an increase in the localization rate of 1% and 2.5%, respectively, compared to the previous year. The localization rate in the insulation sector increased from 22.1% to 25% in 2021, thanks to the Talent Acquisition Program, which continues to focus on attracting and hiring new Saudi employees.

The number of Saudi women working in the various sections and departments reached 72, a slight increase from 2020. When recruiting new employees, attention was paid to fully comply with the Nitaqat nationalization program, which ensures a growing number of Saudi employees in the companies.

Later in the year, Zamil Air Conditioning and Refrigeration Services Company organized a recruitment campaign in cooperation with the National Labor Gateway (Taqat) in Jeddah to fill 75 vacancies in the company's technical and engineering departments. The campaign is part of the company’s goal to increase the number of Saudi nationals in its workforce, thereby promoting the employment of nationals in the Saudi industrial sector. One of the primary objectives of Saudi Vision 2030 is to increase the employment of nationals in all sectors and regions.

According to the Ministry of Industry and Mineral Resources, the industrial sector created 55,000 jobs in 2021, with a localization rate of more than 38%.

During the year, Zamil Industrial instituted across-the-board salary adjustments for its employees. Further development efforts to update job classification and salary scales began in 2021 and will continue in 2022.

Corporate Human Resources played an integral role in the implementation of "Oracle Fusion" in 2021. Following the implementation, the HR team worked closely with the Information Technology Department to further develop the system and improve it through usability and data security enhancements. Corporate Human Resources has also worked with the HR departments of Zamil Industrial companies in Egypt and India on the Oracle Fusion rollout. We expect to continue this collaboration as we roll out all the other modules that are still under development, such as Performance Management.

Corporate Human Resources also participated in an audit of its internal processes to revitalize functions and learn from best practices in the field. These efforts will continue through 2022.

As an integral part of Zamil Industrial’s commitment to diversity in the workplace, the company has created a sustainable program to employ people with disabilities. The company now employs more than 60 people with disabilities in various business units and functional areas, either on-site or remotely, with related awareness sessions conducted internally. The company also regularly organizes seminars for officials and managers in Zamil Industrial’s main sectors and departments, informing them of best practices in dealing with people with disabilities in the workplace.

The Human Resources Department again organized a series of social events for Zamil Industrial employees during the past year. These events included entertainment and educational programs, health and wellness campaigns, and blood donation drives, among others

11 Training and Development

Zamil Industrial is committed to providing training programs with outstanding content and value to ensure the success and continued development of employees and all business units in the company.

Over the past two years, the company has been committed to taking the highest preventive safety measures to prevent the spread of the emerging coronavirus, preserve the human element, and follow all occupational health and safety policies and instructions to ensure a safe and risk-free work environment. The company also used digital learning resources and available modern training and education technologies.

In this regard, Zamil Industrial’s Human Resources Department conducted a series of virtual workshops during the year. More than 600 employees, representing a cross-section of Zamil Industrial’s sectors, business units, and functional areas, participated in these online workshops and training sessions.

The workshops covered several key topics, including Zamil Industrial’s core values, critical business skills, transformative change, absence management, workplace diversity, stress management, customer service orientation, communication skills, financial and business awareness, people management, results orientation, technology awareness and more.

The workshops also included policy refresher sessions to help employees better understand the nature and functions of specific policies.

The workshops aimed to create a platform for learning in the "new normal" by taking advantage of technological advances and providing Zamil Industrial employees with easily accessible learning tools. These workshops also aimed to help employees develop the critical skills they need to effectively perform their daily tasks at work and to support critical skills development and employee credibility. The workshops were tailored to the needs of the business to increase team effectiveness and productivity to maximize return on investment.

During the year, several groups of employees representing a cross-section of Zamil Industrial's sectors, business units and functional areas successfully completed the Ministry of Communications and Information Technology training programs in various areas of information technology.

To ensure that all employees are aware of the relevance and importance of their activities and how they contribute to achieving the quality objectives of the ISO standard, Zamil Steel Buildings Vietnam Co. continued to organize training on ISO quality management systems for all staff and employees.

In 2021, Zamil Air Conditioners conducted technical training sessions for project managers and maintenance and operations engineers at King Abdulaziz University in Jeddah. The training included lectures and interactive sessions on the latest air conditioning and refrigeration technologies, centrifugal chillers, best operating and installation techniques, and common methods for troubleshooting and resolving faults in various types of air conditioning systems and equipment.

Zamil Industrial's Corporate Loss Prevention Department (CLPD), in collaboration with the Saudi Authority for Industrial Cities and Technology Zones (Modon), organized a special seminar for CLPD staff at CLPD headquarters in Dammam First Industrial City. The seminar explained industrial regulations and requirements in general, requirements for obtaining operating permits, and areas where the authority provides assistance during emergencies, as well as a range of public safety issues.

In collaboration with the Security Department, Zamil Industrial's Human Resources Department organized a financial organization training program for a group of employees. The goal of the program is to provide participants with skills that will enable them to manage a family budget and daily expenses appropriately and with proper planning.

12

Corporate Social Responsibility

Zamil Industrial prides itself on its commitment to social responsibility in the communities in which it operates, partnering with charities and like-minded institutions to contribute extensively to a network of community service and development programs to help those in need. The company continues to support ambitious initiatives and social projects aimed at improving the living conditions and contributing to the prosperity of the communities in which Zamil Industrial companies operate. However, corporate social responsibility is not limited to the workplace. Zamil Industrial encourages all employees to volunteer and participate in various community-related activities and initiatives.

In 2021, Zamil Industrial continued to focus on implementing initiatives that helped mitigate the impact of the Coronavirus (COVID-19) pandemic. All Zamil Industrial business units took precautionary and preventive measures to address the potential risks of the spread of the new coronavirus and made every effort to protect employees and members of the community from this pandemic.

In January and September, Zamil Industrial organized and held its annual blood donation events in collaboration with King Fahad Specialist Hospital in Dammam. The events were held in both the First and Second Industrial Cities in Dammam and were attended by participants from across the company.

In 2021, Zamil Industrial's Human Resources Department, in collaboration with Bupa Arabia for Cooperative Insurance Co., organized the annual Health Lounge for Zamil Industrial employees at the premises of Zamil Industrial companies in Dammam, Jubail, Riyadh, and Jeddah. With a team of professional medical service providers from Bupa Arabia, the Health Lounge focuses on raising employee awareness of good health. Medical services offered at the Health Lounge include blood glucose and blood pressure checks, body mass index calculations, dental exams, eye exams, ear tests, and interpretation of results and intervention recommendations by a general practitioner.

In March, Zamil Steel organized a field trip for female students from the College of Architecture & Design in collaboration with Alasala Colleges in Dammam. The venue was Zamil Steel's plant in the second industrial city of Dammam. The purpose of the visit was for the female students to explore the technical services, industrial operations, and production facilities and to learn about Zamil Steel's specific processes, products and capabilities.

In April, Zamil Air Conditioners participated as a Gold Sponsor in the HVAC-R Egypt Expo-ASHRAE 2021, the 5th International Exhibition and Conference for Heating, Ventilation, Air Conditioning, Refrigeration, Thermal Insulation and Energy. The event was held at the Egypt International Exhibition Center in Cairo. It was opened by H.E. Dr. Mohamed Shaker El-Markabi, Egyptian Minister of Electricity and Renewable Energy.

In June, Zamil Industrial participated in the third edition of The Big 5 Construct Egypt, a leading international construction event supported by the Egyptian Ministry of Housing, Utilities and Urban Communities. The event was held at the Cairo International Convention Center. Big 5 Construct Egypt is the largest construction event in the country. It provides a professional platform to promote industry best practices and business and investment opportunities in Egypt.

In August, Zamil Industrial's Human Resources Department organized the Zamil Industrial Ice Cream Day in collaboration with Zamil Food Industries Company. This fun annual event aims to cool the flames of summer and bring joy to employees. More than 1,500 ice creams were distributed to all employees across Zamil Industrial companies in Dammam. All the necessary health precautions were taken while distributing the ice cream, and everyone had a fun day.

In October, Zamil Air Conditioners sponsored a ceremony to honor healthcare professionals working on the front lines of the fight against the coronavirus pandemic. The ceremony was held at the headquarters of the "Tataman" clinic, part of the Saudi Ministry of Health's Dammam Health Network. It paid tribute to the containment of the pandemic and the extraordinary efforts of the heroes in the fight against the pandemic. The sponsorship of Zamil Air Conditioners relies on the strong partnership between government and private entities. It is a tribute to the citizens who took special and sincere care of the infected and suspected patients and provided them with health services.

In addition, Zamil Industrial, in collaboration with Saudi German Hospital in Dammam, organized an educational program for its employees on the early detection of breast cancer during Breast

Cancer Awareness Month in October. The program aimed to define breast cancers, identify their dangers, and educate employees about self-examination methods and the need to prevent the disease through regular screenings.

In November, the Information Technology Department at Zamil Industrial welcomed a group of information technology (IT) students from Imam Abdulrahman Bin Faisal University in Dammam, along with their instructors, when they visited the company. The purpose of the visit was to explain the role of the IT departments, the structure and different functions of the IT department, and the major projects that the ITG team is working on, including the "ASaaS" digital transformation project.

Moreover, Zamil Air Conditioners participated as a Bronze Sponsor in the 9th edition of the Real Estate Development Summit-Middle East, held in November 2021 at The Crowne Plaza Hotel in Dubai, UAE. The summit aimed to develop customized solutions for all stakeholders in the real estate industry. It was a meeting of the most important real estate companies in the Middle East, especially in Saudi Arabia. These companies, with current and upcoming projects in the residential, commercial, mixed-use, and hospitality sectors, explored business opportunities and deal-making strategies with solution providers from around the world.

As part of the social responsibility programs and initiatives that Zamil Industrial companies are undertaking around the world in collaboration with various government agencies and civil health organizations, Zamil Steel Buildings India conducted a vaccination program to protect the health and well-being of its employees. The company successfully administered the required doses of COVID-19 to all workers and employees working at its manufacturing facility in Ranjangaon, Pune.

In addition, Zamil Steel Buildings Vietnam actively participated in the expanded COVID-19 vaccination campaign, which is in line with the government's efforts to establish a "green zone" (COVID-19-free zone) to control the ongoing fourth wave of COVID-19 in Vietnam resulting from the emergence of the Delta variant. Zamil Steel Vietnam is among the highlighted enterprises in the Noi Bai Industrial Zone that have actively supported local authorities to ensure the safety of employees and workers and make Soc Son district a "green zone".

These campaigns are carried out in accordance with national and WHO guidelines for conducting mass vaccination campaigns related to the COVID-19 pandemic.

Zamil Industrial is committed to continuously improving health and safety standards for its employees at all levels of the company and providing employees with all the information and support they need to work safely at all times. In collaboration with the Saudi Ministry of Health, Zamil Industrial launched its annual seasonal influenza vaccination campaign at the beginning of the winter season. The campaign took place in December 2021 in both the First and Second Industrial Cities in Dammam.

13 Capital and Shares' Details

The following table details the company's capital. No debt instruments are convertible to stock.

Item	2021	2020	(%) change
Authorized and fully paid share capital	**SAR 600 million**	SAR 600 million	0
Issued shares	**60 MILLION SHARES**	60 MILLION SHARES	0
Nominal value	**SAR 10**	SAR 10	0

14 Corporate Governance Controls

The company has adhered to all mandatory provisions of the Corporate Governance Regulations while disclosing in general terms the details in subparagraph (b) of paragraph (4) of Article (93) of the Corporate Governance Regulations according to the table contained in paragraph (3) of Clause (26) of this report.

15 Board of Directors' Composition

The Board of Directors comprises eight members who are elected by the General Assembly before their memberships expire, and their term shall be three years, in accordance with the Companies' Law and the company's bylaws. The following table shows the names, positions and classifications of members of the Board of Directors, in accordance with corporate governance controls.

Name	Position	Classification
Khalid Abdullah Hamad Al Zamil	Chairman of the Board of Directors	Independent
Abdallah Saleh Jum'ah Al Dossari	Vice Chairman	Independent
Ahmed Abdullah Hamad Al Zamil	Member	Independent
Adib Abdullah Hamad Al Zamil As a representative of Zamil Group Holding Company	Member	Non-executive
Mohammed Ahmed Mahmoud Al-Ghaith As a representative of the Public Pension Agency	Member	Non-executive
Mohammad Sulaiman Mohammad Al Harbi	Member	Independent
Khalid Mohammed Saleh Al Fuhaid	Member	Independent
Abdulla Mohammed Abdullah Al Zamil	Member/CEO	Executive

The members of the Board of Directors were elected for the eighth term during the company's general assembly meeting on 28/04/2019, at which a vote was taken on the election of a new Board of Directors from among the candidates for Board membership for the eighth term, which runs from 01/05/2019 through 30/04/2022.

16 A description of any interest in a class of voting shares held by persons who have notified the company of their holdings, together with any change to such interests during the last fiscal year

There are no interests in a class of voting shares held by persons who have notified the company of their holdings or any change to such interests during the last fiscal year.

17 A description of any interests, contractual securities or rights issues of Board members and their relatives on shares or debt instruments of the company

	At year's beginning		At year's end			
Name	Number of shares	Debt instruments	Number of shares	Debt instruments	Net change	Change percentage
Khalid Abdullah Hamad Al Zamil	1,747,233	0	1,747,233	0	0	0%
Abdallah Saleh Jum'ah Al Dossari	2,666	0	2,666	0	0	0%
Ahmed Abdullah Hamad Al Zamil	1,000	0	1,000	0	0	0%
Adib Abdullah Hamad Al Zamil	1,459,302	0	1,459,302	0	0	0%
Mohammed Ahmed Mahmoud Al-Ghaith	0	0	0	0	0	0%
Mohammad Sulaiman Mohammad Al Harbi	1,000	0	1,012	0	12	0.012%
Khalid Mohammed Saleh Al Fuhaid	1,000	0	1,000	0	0	0%
Abdulla Mohammed Abdullah Al Zamil	21,000	0	21,000	0	0	0%

18 A description of any interests, contractual securities or rights issues of senior executives and their relatives on shares or debt instruments of the company

	At year's beginning		At year's end			
Name	Number of shares	Debt instruments	Number of shares	Debt instruments	Net change	Change percentage
Adel Ahmed Alghamdi	1,000	0	0	0	-1,000	(100%)
Said Fahad Al Daajani	10,000	0	0	0	-10,000	(100%)

19 Controlling interests of substantial shareholders who own 5% or more and percentage changes

	At year's beginning		At year's end			
Name	Number of shares	%	Number of shares	%	Net change	Change percentage
Zamil Group Holding Company	11,999,989	19.99	11,999,989	19.99	0	0%
Zamil Group Investment Company Ltd.	3,091,528	5.15	3,091,528	5.15	0	0%

20 Names, former and current positions, qualifications and expertise of Board members, committee members and executives

1 | Members of the Board of Directors:

Name	Current positions	Previous positions	Qualifications	Experience
Khalid Abdullah Hamad Al Zamil	• Chairman of the Board, Zamil Group Holding Company	• Chairman, Zamil Group Holding Company • Managing Director, Zamil Industrial Investment Co. • Managing Director, Strategic Affairs, Zamil Group Holding Co.	• Bachelor's in Civil Engineering • Executive education programs (Harvard and IMD)	Professional experience since 1972
Abdallah Saleh Jum'ah Al Dossari	• Retired	• CEO, Saudi Aramco	• B.A. in Political Science • Executive Management program	Professional experience since 1968
Ahmed Abdullah Hamad Al Zamil	• Businessman	• President, Zamil Air Conditioners	• Bachelor's in Business Administration	Professional experience since 1972
Adib Abdullah Hamad Al Zamil	• Chief Executive Officer, Zamil Group Holding Company	• Managing Director, Finance and Investment, Zamil Group Holding Company • Managing Director, Zamil Industrial Investment Co. • Managing Director, Zamil Air Conditioners • Financial Auditor, Zamil Group	• Bachelor's in Business Administration	Professional experience since 1975
Mohammed Ahmed Mahmoud Al-Ghaith	• Senior Auditor, Public Pension Agency	• Financial Auditor, Public Pension Agency • Statistics Researcher, Public Pension Agency	• Master's in Financial Management • Bachelor's in Operations Research	Professional experience since 2001
Mohammad Sulaiman Mohammad Al Harbi	• Freelance	• Chairman, Mohamed Al-Harbi Consulting Co. • CEO, Takween Advanced Industries • Chairman, Saudi German Company for Nonwoven Products • Project Manager, Saudi Industrial Development Fund	• Bachelor's in Industrial Engineering	Professional experience since 1992
Khalid Mohammed Saleh Al Fuhaid	• Chairman of the Board of Directors, Manafea Arabia Holding Co.	• CEO, Midad Holding Co. • General Manager, Aluminium Products Company (ALUPCO)	• Bachelor's in Mechanical Engineering	Professional experience since 1989
Abdulla Mohammed Abdullah Al Zamil	• CEO, Zamil Industrial Investment Co.	• COO, Zamil Industrial Investment Co. • Various positions in Zamil Air Conditioners including VP	• Master's in Finance and Business Administration • Bachelor's in Industrial Engineering	Professional experience since 1987

2 | Executives:

Name	Current positions	Previous positions	Qualifications	Experience
Abdulla Mohammed Abdullah Al Zamil	• CEO, Zamil Industrial Investment Co.	• COO, Zamil Industrial Investment Co. • Various positions in Zamil Air Conditioners including VP	• Master's in Finance and Business Administration • Bachelor's in Industrial Engineering	Professional experience since 1987
Adel Ahmed Alghamdi	• Chief Financial Officer (CFO), Zamil Industrial	• CFO, Al Hokair Group • CFO, Air Liquide Arabia • Group Finance Manager, ARASCO Group	• Bachelor's in Accounting • Master of Business Administration	Professional experience since 2003
Said Fahad Al Daajani	• Director, Corporate Affairs; Corporate Secretary	• Public and Investor Relations Manager • Administrative Assistant	• BA in Administrative Sciences and Political Science • Certification in Governance • Certification in Investor Relations	Professional experience since 1998

21 Names of companies inside and outside the Kingdom of Saudi Arabia whose current or former Boards of Directors or management teams include members of the company's Board of Directors

Name	Current companies	Location	Legal entity	Former companies	Location	Legal entity
Khalid Abdullah Hamad Al Zamil	• SAHARA international Petrochemical Company • Middle East Battery Co. • Saudi Aramco Base Oil Company (Luberef) • Rabiah & Nassar and Zamil Concrete Industries Co. • Zamil Group Holding Co.	• In KSA • In KSA • In KSA • In KSA • In KSA	• Listed • Limited Liability • Limited Liability • Limited Liability • Unlisted	• Gulf Insulation Group • Sigma Paints • Dar Al Yaum for Press, Printing & Publishing	• In KSA • In KSA • In KSA	• Unlisted • Limited Liability • Limited Liability
Abdallah Saleh Jum'ah Al Dossari	• Hassana Investment Co. • Saudi Investment Bank • Saudi Arabian Mining Company (Ma'aden) • US Saudi Business Council	• In KSA • In KSA • In KSA • In KSA	• Unlisted • Listed • Listed • Govt. Entity	• Halliburton • Saudi Arabian Oil Company (Saudi Aramco) • Motiva • Motor Oil Hellas • Petron • S-Oil Corporation • Saudi Petroleum International, Inc. • Saudi Arabian Airlines	• Abroad • In KSA • Abroad • Abroad • Abroad • Abroad • Abroad • In KSA	• Listed • Listed • Limited Liability • Listed • Listed • Listed • Unlisted • Unlisted
Ahmed Abdullah Hamad Al Zamil	—	—	—	• Zamil Group Holding Co. • United Plastic Cards Co. • Sigma Paints • Saudi German Company for Nonwoven Products • Gulf Packaging Industries • Saudi Industrial Export Co.	• In KSA • In KSA • In KSA • In KSA • In KSA • In KSA	• Unlisted • Limited Liability • Limited Liability • Limited Liability • Limited Liability • Limited Liability
Adib Abdullah Hamad Al Zamil	• United Carton Industries Co. • Jadwa Investment • Fajr Capital • Saudi Arabian Investment Co. (Sanabil) • Zamil Group Holding Co. • Saudi Guardian International Float Glass Co. Ltd.	• In KSA • In KSA • Abroad • In KSA • In KSA • In KSA	• Limited Liability • Unlisted • Limited Liability • Unlisted • Unlisted • Limited Liability	• Al-Bilad Bank • Methanol Chemicals Co. (Chemanol) • Gulf Union Co-Operative Insurance Co. • Dana Gas	• In KSA • In KSA • In KSA • Abroad	• Listed • Listed • Listed • Listed

21 Names of companies inside and outside the Kingdom of Saudi Arabia whose current or former Boards of Directors or management teams include members of the company's Board of Directors (continued)

Name	Current companies	Location	Legal entity	Former companies	Location	Legal entity
Mohammed Ahmed Mahmoud Al-Ghaith	–	–	–	–	–	–
Mohammad Sulaiman Mohammad Al Harbi	• National Company for Glass Industries • Arabian Amines Company • National Talents Co. • Gas Arabian Services Co. • Musharaka Capital Co. • Saudi Guardian International Co. • Guardian Glass International Company	• In KSA • In KSA • In KSA • In KSA • In KSA • In KSA • Abroad	• Listed • Limited Liability • Limited Liability • Unlisted • Unlisted • Limited Liability • Limited Liability	• Hail Agricultural Development Co. • Takween Advanced Industries	• In KSA • In KSA	• Listed (formerly) • Listed
Khalid Mohammed Saleh Al Fuhaid	• Manafea Arabia Holding Co. • Manafea Holding (Health Care) • Manafea Industrial Co. • Life Lines Medical Co. • First United Medical Co. • Al-Narjes Real Estate Development Co.	• In KSA • In KSA • In KSA • In KSA • In KSA • In KSA • In KSA	• Limited Liability • Limited Liability • Limited Liability • Limited Liability • Limited Liability • Limited Liability • Limited Liability	• Midad Holdings • Manafea Al-Bahr Co. • Manafea Al-Jazeera Co. • Manafea Al Sharq Co. • Aluminum Rolling Shutter Co. • Designs and IT Co. • Cherish Cosmetics • Manafea Gulf Co.	• In KSA • In KSA • In KSA • In KSA • In KSA • In KSA • In KSA • Abroad	• Limited Liability • Limited Liability • Limited Liability • Limited Liability • Limited Liability • Limited Liability • Limited Liability • Limited Liability
Abdulla Mohammed Abdullah Al Zamil	• Gulf Insulation Group • Zamil Steel Holding Co. • Zamil Air Conditioners Holding Co. • Energy Central Saudi Arabia • Saudi Rock Wool Factory • Saudi Preinsulated Pipes Industries • Second Insulation Company • Rabiah & Nassar and Zamil Concrete Industries Co. • Arabian Fiberglass Insulation Co. • Arabian Stonewool Insulation Co. • Zamil Industrial Investment Co. (Singapore) • Zamil Air Conditioning and Refrigeration Services Co. (Bahrain) • Zamil Steel Buildings Co. (Egypt) • Zamil Structural Steel Co. (Egypt) • Metallic Construction and Contracting Co. (Egypt) • Zamil Steel Buildings Co. (Vietnam) • Zamil Steel Buildings Co. (India) • Zamil Steel Engineering India Pvt. Ltd. (India) • Zamil Construction India Pvt. Ltd. (India) • Zamil Information Technology Global Pvt. Ltd. (India) • Zamil Air Conditioners Technology Global Pvt. Ltd. (India) • Zamil Steel Buildings Pvt. Ltd. (China) • Gulf International Bank Capital (GIB Capital) – KSA • Gulf International Bank – KSA • Gulf International Bank – Bahrain • Saudi Global Ports Co. • Eastern Province Council • Board of Directors of Awqaf Sulaiman Al Rajhi Holding Company • Board of Directors of First Health Cluster in Eastern Province	• In KSA • In KSA • In KSA • In KSA • In KSA • In KSA • In KSA • In KSA • In KSA • In KSA • Abroad • Abroad • Abroad • Abroad • Abroad • Abroad • Abroad • Abroad • Abroad • Abroad • Abroad • Abroad • In KSA • In KSA • Abroad • In KSA • In KSA • In KSA • In KSA	• Unlisted • Holding • Holding • Limited Liability • Limited Liability • Limited Liability • Limited Liability • Limited Liability • Limited Liability • Limited Liability • Limited Liability • Limited Liability • Limited Liability • Unlisted • Limited Liability • Limited Liability • Limited Liability • Limited Liability • Limited Liability • Limited Liability • Limited Liability • Limited Liability • Limited Liability (GCC) • Unlisted • Unlisted • Unlisted • Govt. Entity • Holding • Govt. Entity	• Saudi Food Bank • Endeavor Saudi Arabia • Gulf International Bank (UK) • VIVA Bahrain • Dammam Airport Co.	• In KSA • In KSA • Abroad • Abroad • In KSA	• Limited Liability • Limited Liability • Unlisted • Unlisted • Limited Liability

22 Board Meeting Attendance Record

In 2021, the Board of Directors convened (4) times during its eighth term. Members of the Board of Directors are paid sitting fees for each meeting they attend. Any member who did not attend a Board of Directors meeting has appointed another member as a proxy to attend in their stead and vote on their behalf. The following is an attendance sheet.

	8th Term				
Name	No. (8/8) on 22/03	No. (9/8) on 24/06	No. (10/8) on 26/09	No. (11/8) on 19/12	Total
Khalid Abdullah Hamad Al Zamil	√	√	√	√	4
Abdallah Saleh Jum'ah Al Dossari	√	√	√	√	4
Ahmed Abdullah Hamad Al Zamil	√	√	√	√	4
Adib Abdullah Hamad Al Zamil	√	√	√	√	4
Mohammed Ahmed Mahmoud Al-Ghaith	√	√	√	√	4
Mohammad Sulaiman Mohammad Al Harbi	√	√	√	√	4
Khalid Mohammed Saleh Al Fuhaid	√	√	√	√	4
Abdulla Mohammed Abdullah Al Zamil	√	√	√	√	4

23 Procedure taken by the Board of Directors to inform its members of the shareholders' suggestions and remarks on the company and its performance

The company's bylaws grant shareholders the right to attend General Assembly meetings to learn about the company's overall situation, activities and performance during the ended fiscal year. They also have the right to engage in deliberation and discussions conducted during meetings, and the Board of Directors shall answer questions raised by shareholders to the extent that doing so does not jeopardize the company's interests. The regulations protect the right to inquire and request information.

The Secretary of the Board and the Investor Relations Department, in turn, shall serve as a communication channel between shareholders, the Chairman of the Board of Directors and the company's Chief Executive Officer. It shall also present the Board of Directors with material views, suggestions and comments, if any, at the Board's first meeting following the General Assembly.

24 Committees of the Board of Directors

The Board of Directors has two substantive committees: the **Audit Committee** and the **Nomination and Remuneration Committee**. The committees comprise members of the Board of Directors, in accordance with the directives and regulations in place in connection with this matter. The following is a brief description of each committee:

1) Audit Committee

The Audit Committee comprises (3) members. It was formed by a resolution of the General Assembly on 28 April 2019.

It works in compliance with the duties and procedures provided in the Companies' Law, the Corporate Governance Regulations and the Audit Committee Regulations approved by the General Assembly. The Audit Committee is competent in monitoring the company's activities and ensuring the integrity and effectiveness of the reports, financial statements and internal control systems. The duties of the Audit Committee specifically include the following:

A) Financial Reports:

1. Analyzing and monitoring the company's interim and annual financial statements before they are presented to the Board of Directors, and expressing its opinion and recommendations thereon to ensure their integrity, fairness and transparency.
2. Expressing its technical opinion, at the request of the Board of Directors, regarding whether the Board Report and the company's financial statements are fair, balanced and understandable and contain information that allows shareholders and investors to assess the company's financial position, performance, business model and strategy.
3. Examining any important or unusual issues contained in the financial reports.
4. Accurately investigating any issues raised by the company's Chief Financial Officer or any person assuming their duties or the company's compliance officer or external auditor.
5. Examining the accounting estimates with respect to significant matters that are contained in the financial reports.
6. Examining the accounting policies followed by the company and expressing its opinion and recommendations thereon to the Board of Directors.

B) Internal Audit:

1. Examining and reviewing the company's internal and financial control systems and risk management system.
2. Analyzing internal audit reports and observing the implementation of corrective measures with respect to the remarks made in such reports.
3. Monitoring and overseeing the performance and activities of the internal auditor and internal audit department of the company, if any, to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties. If the company has no internal auditor, the committee shall provide a recommendation to the Board of Directors on whether there is a need to appoint an internal auditor.
4. Providing recommendations to the Board of Directors for appointing a manager of the internal audit unit or department or an internal auditor and suggesting their remunerations, or approving the appointment of a professional accounting firm to undertake internal audit duties.

C) External Auditor:

1. Providing recommendations to the Board of Directors to appoint external auditors, dismiss them, determine their remunerations and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts.
2. Verifying the external auditors' independence, their objectivity and the fairness and effectiveness of the audit activities, taking into account the relevant rules and standards.
3. Reviewing the plan for the company's external auditors and their activities and ensuring that they do not provide any technical or administrative services that are beyond their scope of work, and providing its opinion thereon.
4. Responding to the company's external auditor's queries.
5. Reviewing the external auditor's reports and comments on the financial statements and following up on the procedures taken in connection therewith.

D) Ensuring Compliance:

1. Reviewing the findings of supervisory authorities and ensuring that the company has taken the necessary actions in connection therewith.
2. Ensuring the company's compliance with the relevant laws, regulations, policies and instructions.
3. Reviewing the contracts and proposed related party transactions and providing its recommendations to the Board of Directors in connection therewith.
4. Reporting to the Board of Directors any issues in connection with which it deems it necessary to take action, and providing recommendations as to the steps that should be taken.

In 2021, the committee convened (5) times during the Board's eighth term. An attendance sheet is shown below:

Meeting No.	Mohammad Sulaiman Mohammad Al Harbi (Chairman)	Mohammed Ahmed Mahmoud Al-Ghaith	Khalid Mohammed Saleh Al Fuhaid
8th Term (Meeting Date)			
No. (9/8) on 18/03	√	√	√
No. (10/8) on 30/03	√	√	√
No. (11/8) on 22/04	√	√	√
No. (12/8) on 12/08	√	√	√
No. (13/8) on 28/10	√	√	√
Total	5	5	5

2) Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises (3) members nominated by the Board of Directors.

It works in compliance with the duties and procedures provided in the Corporate Governance Regulations and the Nomination and Remuneration Regulations approved by the General Assembly, including:

1. Preparing a clear policy for the remuneration of members of the Board of Directors and its committees and senior executives and presenting such policy to the Board of Directors in preparation for approval by the General Assembly, provided that such policy follows standards that are connected to performance, and disclosing and ensuring the implementation of such policy.
2. Clarifying the relation between the remunerations paid and the adopted remuneration policy and highlighting any material deviation from that policy.
3. Periodically reviewing the remuneration policy and assessing its effectiveness in achieving its objectives.
4. Providing recommendations to the Board of Directors with respect to the remunerations of its members, committee members and senior executives, in accordance with the approved policy.
5. Suggesting clear policies and standards for Board of Directors and Executive Management membership.
6. Providing recommendations to the Board of Directors for the nomination or re-nomination of members in accordance with the approved policies and standards, taking into account that nominations shall not include any person convicted of a crime involving dishonesty.
7. Preparing a description of the capabilities and qualifications required for membership on the Board of Directors and Executive Management positions.
8. Determining the amount of time that the member shall allocate to Board of Directors activities.
9. Annually reviewing the skills and expertise required of members of the Board of Directors and Executive Management positions.
10. Reviewing the structure of the Board of Directors, Committees and the Executive Management and providing recommendations regarding changes that may be made to such structure.
11. Annually ensuring the independence of independent directors and the absence of any conflicts of interest if a member of the Board of Directors also acts as a member of the Board of Directors of another company.
12. Setting forth job descriptions for executive, non-executive and independent directors and senior executives.
13. Setting special procedures to be followed in the event that the position of a member of the Board of Directors or a senior executive becomes vacant.
14. Determining the strengths and weaknesses of the Board of Directors and recommending remedy solutions that serve the company's interests.
15. Assessing the matters that fall within its authority or those referred to it by the Board of Directors and communicating its recommendations to the Board of Directors to issue decisions in connection therewith or make decisions with regard to these matters if delegated by the Board of Directors.
16. Seeking assistance from any experts or specialists, whether internal or external, within the scope of its powers. This shall be included in the committee meeting minutes; the minutes shall state the name of the expert and his or her relation to the company or its Executive Management.

The committee convened twice in 2021 during the Board's eighth term. An attendance sheet is shown below:

Meeting No.	Abdallah Saleh Jum'ah Al Dossari (Chairman)	Khalid Abdullah Hamad Al Zamil	Mohammad Sulaiman Mohammad Al Harbi
8th Term (Meeting Date)			
No. (4/8) on 23/06	√	√	√
No. (5/8) on 19/12	√	√	√
Total	2	2	2

25 The means used by the Board of Directors to assess its performance and the performance of its committees and members, the external body which conducted the assessment and its relation to the company, if any

The Nomination and Remuneration Committee shall determine the strengths and weaknesses of the Board of Directors and recommend remedy solutions that serve the company's interests. The Chairman of the Board of Directors shall evaluate the Nomination and Remuneration Committee. The Board of Directors has not appointed an external body to conduct the performance assessment during the fiscal year 2021, and the Nomination and Remuneration Committee will review this matter.

26 Remunerations and compensations for members of the Board of Directors, committee members and senior executives

The following tables detail all remuneration and compensation paid to members of the Board of Directors, committee members and senior executives during the fiscal year 2021. Remuneration and compensation are subject to the remuneration policy approved by the General Assembly. The Board recognizes that there is no significant deviation from this policy:

1 | Members of the Board of Directors:

Member	Fixed remuneration							Variable remuneration						(SAR '000)		
	Specific amount	Allowance for attending Board Meetings	Allowance for attending Committee meetings	In-kind Benefits	Remunerations for technical and consultative work	Remunerations of the chairman, Managing Director or Secretary, if a member	**Total**	Percentage of the profits	Periodic Remuneration	Short-term incentive plans	Long-term incentive plans	Granted shares	**Total**	End of Service Benefit	Grand total	Expenses allowance
First: Independent Directors																
Khalid Abdullah Hamad Al Zamil	200	12	6	0	0	**0**	**218**	0	0	0	0	0	**0**	0	**218**	0
Abdallah Saleh Jum'ah Al Dosari	200	12	6	0	0	**0**	**218**	0	0	0	0	0	**0**	0	**218**	0
Ahmed Abdullah Hamad Al Zamil	200	12	0	0	0	**0**	**212**	0	0	0	0	0	**0**	0	**212**	0
Mohammad Sulaiman Mohammad Al Harbi	200	12	33	0	0	**0**	**245**	0	0	0	0	0	**0**	0	**245**	0
Khalid Mohammed Saleh Al Fuhaid	200	12	27	0	0	**0**	**239**	0	0	0	0	0	**0**	0	**239**	0
Second: Non-Executive Directors																
Adib Abdullah Hamad Al Zamil	200	12	0	0	0	**0**	**212**	0	0	0	0	0	**0**	0	**212**	0
Mohammed Ahmed Mahmoud Al-Ghaith	200	12	15	0	0	**0**	**227**	0	0	0	0	0	**0**	0	**227**	0
Third: Executive Directors																
Abdulla Mohammed Abdullah Al Zamil	200	12	0	0	0	**0**	**212**	0	0	0	0	0	**0**	0	**212**	0
Total	**1,600**	**96**	**87**				**1,783**							**1,783**		

Note: The members of the Board of Directors received no compensation for consulting, technical or administrative services in 2021.

2 | Committee members

Member	Fixed remuneration	Allowance for attending meetings	Total
Audit Committee members:		(SAR '000)	
Mohammad Sulaiman Mohammad Al Harbi	0	15	**15**
Mohammed Ahmed Mahmoud Al-Ghaith	0	15	**15**
Khalid Mohammed Saleh Al Fuhaid	0	15	**15**
Nomination and Remuneration Committee members:			
Abdallah Saleh Jum'ah Al Dosari	0	6	**6**
Khalid Abdullah Hamad Al Zamil	0	6	**6**
Mohammad Sulaiman Mohammad Al Harbi	0	6	**6**

3 | Senior Executives

	Fixed remuneration				Variable remuneration						(SAR '000)		
	Salaries	Allowances	In-kind benefits	**Total**	Periodic remuneration	Profits	Short-term incentive plans	Long-term incentive plans	Granted shares	**Total**	End of Service Benefit	Total remunerations for Board executives, if any	**Grand total**
Five senior executives who received the highest remunerations, including the CEO and the CFO	4,349	1,135	0	**5,484**	0	0	0	0	0	**0**	0	200	**5,684**

Note: The company compiled and disclosed the total remuneration of its senior executives in accordance with the statutory requirements contained in subparagraph (b) of paragraph (4) of Article (93) of the Corporate Governance Regulations.

It is worth mentioning that members of the Board of Directors will only receive their annual remuneration for the fiscal year that ended 31 December 2021 in their capacities as members of the Board of Directors after the approval of the company's General Assembly, which will convene at a later date. Members' remunerations are in accordance with the laws issued by the relevant authorities in this regard.

27

Remuneration policy

In compliance with Article 93 of the Corporate Governance Regulations, the General Assembly, in its meeting on 31 December 2017, approved the “Remuneration and Compensation Policy for members of the Board, Committees and the Executive Management.” The major standards and mechanisms that apply for remunerations of members of the Board of Directors, its committees and the Executive Management are as follows:

General remuneration standards:

Under this policy, the company’s Nomination and Remuneration Committee provides recommendations to the Board of Directors on the remunerations and compensations of members of the Board of Directors, its committees and the Executive Management in accordance with the following standards:

1. Remuneration and compensation shall be consistent with the company’s strategy and objectives.
2. Remuneration shall be proportionate to the company’s activity and the skills required for its management.
3. The policy shall be designed in coordination with the Nomination and Remuneration Committee when new members are appointed.
4. The industry in which the company operates, its size and the expertise of members of the Board of Directors and Executive Management shall be taken into account.
5. Practices adopted by other companies with respect to determining remunerations and practices common to the market shall be taken into account, provided that any unjustifiable increases in remunerations and compensations that may result therefrom be avoided.
6. Remuneration shall be determined based on the job level as well as its holder’s duties and responsibilities, educational qualifications, practical experience, skills and level of performance.
7. Remuneration shall be provided with the aim of encouraging members of the Board of Directors and Executive Management to contribute to the success of the company and its long-term development by, for example, linking the variable part of the remuneration to long-term performance.
8. To prevent abuse of power to obtain unmerited remuneration, remunerations shall be suspended or reclaimed if it is determined that such remunerations were set based on inaccurate information provided by a member of the Board of Directors, its committees or the Executive Management.
9. The granting of company shares to members of the Board of Directors and Executive Management, whether newly issued or purchased by the company, shall be regulated.
10. Members of the Board of Directors may not vote on the Board of Directors members’ remuneration at the shareholders’ General Assembly meeting.
11. Members of the Board of Directors may receive remuneration for their membership in the Audit Committee composed by the General Assembly or for any additional executive, technical, administrative or consultation – under a professional license – duties or positions that may be commissioned to them within the company, in addition to the remuneration that they may receive in their capacity as members of the Board of Directors and committees composed by the Board of Directors in accordance with the Companies’ Law and the company’s bylaws.
12. Remunerations of members of the Board of Directors shall vary in their magnitudes in a manner that reflects each member’s experience, competencies, duties, independence, number of sessions attended and other relevant considerations.
13. Remunerations for independent members of the Board of Directors must not be a percentage of the company’s profits or be directly or indirectly based on the company’s profitability.
14. In the event that the General Assembly decides to terminate the membership of a member of the Board of Directors following their absence from three consecutive board meetings without a legitimate excuse, such member shall not be entitled to any remuneration for the period following the last meeting that they attended. They shall refund any remuneration that was issued for that period.

Remunerations for members of the Board of Directors:

1. Remunerations for members of the Board of Directors may be fixed sums, attendance allowances, benefits in kind, a percentage of net profits or a combination of such benefits.
2. In the event that remunerations are a percentage of the company's profits, such percentage may not amount to more than 10% of the net profits after setting aside the reserves determined by the General Assembly in accordance with the provisions of the law and the company's bylaws and after distributing profits to the shareholders equal to no less than 5% of the company's paid capital, provided that such remunerations be proportionate to the number of sessions attended by the member. Any assessment inconsistent with that shall be void.
3. In all cases, the sum of remuneration, in-kind benefits or financial benefits received by each member of the Board of Directors shall not exceed SAR 500,000 per annum, in accordance with the regulations set forth by the competent organization.
4. The Board Report submitted to the General Assembly must detail all remuneration, allowances for expenses and other benefits collected by members of the Board of Directors throughout the fiscal year. It must also detail all fees collected by members of the Board of Directors in their capacities as employees or administrative employees and the compensations received by them for technical or administrative work or consultations. It must also detail the number of board meetings and the number of sessions attended by each member of the Board of Directors since the last General Assembly meeting.

Remunerations for committee members:

1. Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors shall determine and approve remuneration, attendance fees and other entitlements for the membership of its committees, with the exception of the Audit Committee.
2. Remuneration for committee membership shall be in the form of a lump sum in addition to meeting attendance fees.
3. Remuneration for membership of the Audit Committee shall be approved by the shareholders' General Assembly based on the recommendation of the Board of Directors.
4. The number of memberships held by a member of the Board of Directors shall be taken into account upon the composition of committees, such that the total remuneration amount disbursed to a member for their membership on the Board of Directors and its committees shall not exceed the maximum provided in the Companies' Law and in accordance with clause (11) of Article (3) of this policy.

Remunerations for the Executive Management:

1. Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors shall determine the types of remuneration disbursed to senior executives in the company – such as fixed remuneration, performance-based remuneration and bonuses – without prejudice to directives and regulations issued to joint-stock companies.
2. Senior executives' remunerations shall be consistent with the company's strategic objectives and proportionate to the company's activity and its management skills, while taking into account the industry in which the company operates and the company's size.
3. The Nomination and Remuneration Committee will continually review incentive plans for senior executives and submit its recommendations to the Board of Directors for approval.
4. The objective of remuneration is to foster the necessary competitive atmosphere to attract and retain qualified, skilled employees and maintain the skillfulness that the company requires.

General terms:

1. Remunerations for members of the Board of Directors and its committees and secretary shall be disbursed annually following the approval of the consolidated annual financial statements (after audit) by the company shareholders' General Assembly.
2. Attendance allowance may be disbursed quarterly or with annual remuneration following each session.
3. In the event that more than one meeting is convened on one day, allowances and other expenses shall be disbursed only once.
4. Remunerations for members of the Executive Management shall be disbursed annually as soon as they are approved by the Board of Directors based on the recommendation of the Nomination and Remuneration Committee.

28 The company’s policy on profit distribution

The decision to distribute any cash profits shall be made based on the assessment and recommendation of the Board of Directors, and all existing factors shall be taken into consideration, including but not limited to the company’s financial position, cash inflow, future investments, and the performance of the company’s sectors. The company has been distributing annual profits to shareholders since it was established, but past distributions do not necessarily guarantee future distributions.

The Company has not distributed any dividend for the year 2021, taking into account that the profit distribution policy is set out in Article (41) of the Company's Bylaws as follows:

Net profits of the company shall be distributed as deemed reasonable by the Board, provided that the General Assembly delegates the distribution of periodic payouts and are renewed on an annual basis, according to the following method:

- 10% of the net profits shall be kept as a statutory reserve, and the ordinary General Assembly may discontinue this deduction when such reserve reaches 30% of the paid-up capital.
- The ordinary General Assembly may, upon a Board proposal, set aside 10% of the net profits to build up a conventional reserve, which shall be used for specific purpose(s).

- The ordinary General Assembly may decide to build up other reserves to the extent that doing so fulfills the company’s interests or guarantees continuous cash dividend distribution. The General Assembly can also choose to establish social and welfare programs for its employees or support existing ones.
- The remaining amount shall be distributed to shareholders at no less than 5% of the paid-up capital.
- Observing the provisions stipulated in Article (16) and Article (76) of the Companies’ Act, the Nomination and Remuneration Committee recommends the remuneration of the Board, provided it does not exceed the maximum amount as per the prevailing regulations. Moreover, the remuneration should be pro-rata with the number of actual meetings the member attends.

29 Related Party Transactions

As part of Zamil Industrial Investment Company (Zamil Industrial) subsidiaries’ continuous activities, there are business and contracts between them and Zamil Group Holding Company in 2021, which is represented by **Mr. Adib A. Al Zamil**.

Such business and contracts are either annual or time-limited; they are renewed automatically, and agreements on them have been reached in previous years, as they are a continuation of long-standing relationships.

Agreements in that regard are reached in light of common commercial terms and in accordance with the company’s relevant internal procedures and bylaws.

All prices and terms of payment for these agreements and transactions are approved by the Board of Directors. The vote of the related party is excluded from voting during the meeting. They are also approved and authorized annually for each upcoming year by the shareholders’ General Assembly.

The following is a list of the company's sales, purchases, and other transactions completed during the fiscal year ended 31 December 2021:

A) Purchasing the company's goods and services from the following companies:

Company Name	Business Relation	Amount (SAR '000)
Zamil Group Holding Company	Affiliated with a shareholder	48,907,153
Arabian Gulf Construction Company	Affiliated with a shareholder	562,755

B) The company's sales of goods and services to the following companies:

Company Name	Business Relation	Amount (SAR '000)
Zamil Group Holding Company	Affiliated with a shareholder	23,485,597
Arabian Gulf Construction Company	Affiliated with a shareholder	0

30 Results of the annual review of the effectiveness of the company's internal control procedures and the opinion of the Audit Committee with respect to the adequacy of the company's internal control system

The Corporate Internal Audit Department independently implements the audit plan approved by the Audit Committee and regularly assesses the internal control systems applied within the Group and its subsidiaries inside and outside Saudi Arabia. It also follows up with executive departments on the implementation of recommendations and remedy procedures for remarks provided in its reports.

Judging by internal review reports, the Audit Committee verified the effectiveness of financial, operational and administrative policies and procedures, and it did not reveal any substantial risks that may affect the company's activities. Based on the information obtained by the Audit Committee, there were no major remarks for the year 2021 that may impact the company's financial position. Minor remarks are issued in the framework of the daily activities and business of the company and the industries in which it operates; they are taken into account, and appropriate solutions and procedures are immediately devised for their remedy. It is noteworthy that the Executive Management continues to take the necessary remedy procedures to mitigate the risks mentioned in internal review reports and to adhere to the applicable policies, laws and instructions.

The Committee also verified the external auditor's independence, and a discussion was conducted regarding the company's performance, including the annual and quarterly financial statements and the appended clarifications, all prior to submission to the Board of Directors.

During 2021, the Audit Committee held five meetings, given that the Committee performs the duties and functions set out in the Companies Law, the Corporate Governance Regulations, the Company's Bylaws and the Audit Committee Regulations.

Generally, the Audit Committee is confident in the effectiveness of the company's internal control system. Thus, the Board of Directors acknowledges the functionality and effectiveness of the company's internal control system in the realization of the company's purposes and shareholders' benefit.

31 The Audit Committee's recommendation regarding the need to appoint an internal auditor for the company in the absence of an internal auditor

The company has a department concerned with internal auditing that is headed by the general auditor. The general auditor continually and periodically keeps the Audit Committee informed by means of regular reports. Therefore, the Audit Committee has not made any recommendations regarding the need to appoint an internal auditor.

The Corporate Internal Audit Department also prepares and develops the company's policies and provides consultation, assistance and clarification on policies, procedures, internal regulations and other relevant fields, contributing to the enhancement and improvement of internal auditing.

32 The Audit Committee's recommendations that conflict with resolutions of the Board of Directors or those which the Board of Directors has disregarded relating to the appointment, dismissal, assessment or determination of the remuneration of the internal auditor, as well as justifications for those recommendations and reasons for disregarding them

No recommendations by the Audit Committee were disregarded by the Board of Directors.

33 Any punishment, penalty, precautionary procedure or preventive measure imposed on the company by the Capital Market Authority or any other supervisory, regulatory or judicial authority, and the reasons for non-compliance, the imposing authority and the measures undertaken to remedy and avoid such non-compliance in the future

The Board of Directors declares that no punishment, penalty, precautionary procedure or preventive measure has been imposed on the company by the Capital Market Authority or any other supervisory, regulatory or judicial authority.

34 Company announcements and disclosures in 2021

During 2021, the company posted announcements and disclosures of material events on the Saudi Stock Exchange website (Tadawul). They included the following.

#	Announcement Date	Announcement Title
1	18/03/2021	The company's announcement of its annual financial results for the fiscal year ending 31 December 2020
2	13/04/2021	The company invited shareholders to attend the Ordinary General Assembly (First Meeting)
3	22/04/2021	The company announced its interim condensed financial results for the three-month period ending 31 March 2021
4	09/05/2021	The company announced the results of the Ordinary General Assembly (First Meeting)
5	12/08/2021	The company announced its interim condensed financial results for the six-month period ending 30 June 2021
6	30/08/2021	The company announced that one of its subsidiaries was awarded a contract by Tatweer Buildings Company
7	28/10/2021	The company announced its interim condensed financial results for the nine-month period ending 30 September 2021
8	01/12/2021	The company announced the call for nominations to the Board of Directors for the next term

35 Numbers of the company's requests of shareholder records and the dates and reasons thereof

In 2021, the company's Investor Relations Department requested shareholder records (14) times using the **Tadawulaty service**, in the following manner and for the following reasons.

Req.	Date of request	Date of ownership	Reason
1	05/01/2021	04/01/2021	Preparation of annual analysis report
2	03/02/2021	02/02/2021	Preparation of monthly analysis report
3	04/03/2021	02/03/2021	Preparation of monthly analysis report
4	05/04/2021	04/04/2021	Preparation of monthly analysis report
5	05/05/2021	03/05/2021	Preparation of monthly analysis report
6	06/05/2021	06/05/2021	Attendance record of the General Assembly meeting
7	02/06/2021	02/06/2021	Preparation of monthly analysis report
8	04/07/2021	04/07/2021	Preparation of monthly analysis report
9	03/08/2021	02/08/2021	Preparation of monthly analysis report
10	05/09/2021	02/09/2021	Preparation of monthly analysis report
11	03/10/2021	04/10/2021	Preparation of monthly analysis report
12	03/11/2021	02/11/2021	Preparation of monthly analysis report
13	05/12/2021	02/12/2021	Preparation of monthly analysis report
14	30/12/2021	03/01/2022	Preparation of monthly analysis report

36 A list of the dates of the General Assembly meetings held during the last fiscal year and the names of members of the Board of Directors who attended them

During the fiscal year 2021, the company convened only one General Assembly meeting. The following is a list of the members of the Board of Directors present at the meeting.

Board member	Ordinary General Assembly (06/05/2021)
Khalid Abdullah Hamad Al Zamil (Chairman)	√
Abdallah Saleh Jum'ah Al Dossari (Vice Chairman)	√
Ahmed Abdullah Hamad Al Zamil	√
Adib Abdullah Hamad Al Zamil	√
Mohammed Ahmed Mahmoud Al-Ghaith	√
Mohammad Sulaiman Mohammad Al Harbi	√
Abdulla Mohammed Abdullah Al Zamil	√
Khalid Mohammed Saleh Al Fuhaid	√

37 **Statement regarding the value of any investments made or any reserves set up for the benefit of the employees of the company**

No investments have been made or reserves set up for the benefit of the company's employees.

38 **Board of Directors' Declarations**

The Board of Directors affirms the following:

1. The accounting records have been prepared correctly.
2. The internal control system has been properly prepared and implemented effectively.
3. There is no doubt with regard to the company's ability to continue its activity.
4. No shares or debt instruments have been issued for affiliate companies.
5. There are no interest, contractual securities or rights issues of the members of the Board of Directors, senior executives or their relatives on shares or debt instruments of the company or its affiliates.
6. There are no classes or numbers of any convertible debt instruments, contract-based securities, warrants or similar rights issued or granted by the company during the fiscal year or any compensation obtained by the company in this regard.
7. There are no conversion or subscription rights under any convertible debt instruments, contract-based securities, warrants or similar rights issued or granted by the company.
8. There have been no redemptions, purchases or cancellations by the company or any of its subsidiaries of any redeemable debt instruments during 2021.
9. There have been no transactions between the company and related parties.
10. Aside from what has been listed in this report, there are no contracts to which the company is party and which involve or previously involved a substantial interest, whether directly or indirectly, for a member of the Board of Directors, a senior executive or a person related to any of the above.
11. There are no arrangements or agreements under which a shareholder of the company, a member of the Board of Directors, a senior executive or an employee of the company has waived any rights to dividends.
12. There are no undisclosed conflicts of interest.
13. The company has not received a request/call from the certified public accountant for the convention of the General Assembly in 2021.
14. The company has not received a request/call from shareholders holding shares equal to at least 5% of the share capital of the company for the convention of the General Assembly in 2021.
15. There have been no procedures that may lead to the impediment of shareholders' voting rights.
16. The company has not provided any member of its Board of Directors or its senior executives with loans or credit facilities.

39 **Conclusion**

The Board of Directors of Zamil Industrial Investment Company (Zamil Industrial) would like to thank the Custodian of the Two Holy Mosques, the Crown Prince, and our good government for the continuous support the company has received to stimulate the economic development process and promote national industries. The Board of Directors would also like to thank the staff of the Ministry of Commerce, the Ministry of Investment, the Capital Market Authority, and the Saudi Stock Exchange (Tadawul) for their cooperation and efforts in serving national companies.

In addition, the Board of Directors expresses its sincere appreciation and gratitude to the Company's shareholders and customers inside and outside the Kingdom of Saudi Arabia, as well as to all Zamil Industrial Investment Company employees in all sectors, branches, factories, and internal and external offices for their continuous and sincere efforts to achieve the Company's goals, protect its profits and interests, and enhance its competitiveness locally, regionally, and globally.

Board of Directors

Consolidated Financial Statements and Independent Auditors' Report

31 December 2021

to the Shareholders of

Zamil Industrial Investment Company

(A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Zamil Industrial Investment Company ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables The Group has gross accounts receivable of SR 2,178 million as at 31 December 2021 including certain overdue balances amounting to SR 1,277 million against which the Group has recorded an allowance for expected credit losses amounting to SR 402 million. Assessment of allowance for expected credit losses is highly subjective due to the significant judgement, estimates and assumptions applied by the management in determining the expected losses. The management is required to determine an expected loss rate against its outstanding accounts receivables based on the Group's historical credit loss experience adjusted with forward-looking information. The assessment of the correlation between historical observed loss rates, forecast economic conditions and expected future cash flows is a significant estimate. Given the judgements particularly related to the calculation of expected credit losses, we considered this area as a key audit matter. Refer to note 22 for further details.	In order to assess the appropriateness of the management's judgment and estimates, following procedures were performed: • We evaluated the Group's processes and controls relating to the monitoring of accounts receivable and review of credit risks of customers. • We evaluated the appropriateness of significant judgements and assumptions used in the estimates made by the management. • We analysed the accounting policies and assessed the methodology developed to calculate the expected loss rate. • We checked the mathematical accuracy of the model and recalculated expected losses on a sample basis. • We analysed the results of expected credit loss model performed by the Group. Tested the accounts receivable aging and other source data used in assessment on a sample basis. • Assessed the adequacy of the Group's disclosure regarding expected credit losses of accounts receivable and the management's assessment of the credit risk and their responses to such risks.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of long-term contracts One of the Group's significant revenue stream is long-term contracts. The Group recognises revenue from long-term contracts using percentage of completion method. The determination of the percentage of completion requires significant management judgement and estimates such as assessment of costs incurred over total cost of the project and the process for identification of loss making contracts. The revenues and costs related to a project include estimates, as the project scope may change and the total costs of a project depend on various factors including estimation of material and labour costs. Accounting policies for revenue recognition related to long-term contracts are given in note 2 to the consolidated financial statements. The recoverability of contract assets related to long-term contracts is therefore based on management's evaluation and best estimate of the ultimate realisation of these balances. Considering the above, revenue recognition from construction contracts has been determined as a key audit matter.	Our audit procedures in relation to revenue recognition of long term contracts included: • Reviewed the Group's estimation process (including the approval of project budget, monitoring of project costs and activities, and management's review and customer's approval of project's stage of completion and milestones achieved) used in determining the amounts of revenue and costs recognised in the consolidated financial statements. • On a sample basis, reviewed the contractual terms and work status of the customer contracts, along with discussions with management and checked that contract revenue was recognised according to the percentage of completion of each project measured by the stage of completion of physical activities. • Performed analytical procedures to compare revenue and gross margin with those reported in prior periods for identifying significant fluctuations and obtaining explanations from management about such fluctuations. • Reviewed estimation of contract costs, on a sample basis, arising from contract modifications and analysed current on-going negotiations and settlements that may impair the profitability of such contracts as well as the collectability of significant contracts by reference to the recent credit review assessment of each customer prepared by management. • Assessed the recoverability of contract assets by considering if work is physically certified and progress billings have been raised since the year-end. • Assessed the adequacy of disclosures in describing the areas of judgement and estimation uncertainties involving revenue recognition and work executed in excess of billings.

Key audit matter	How our audit addressed the key audit matter
Uncertain Zakat Provision During the prior year, the Zakat, Tax and Customs Authority ("ZATCA") issued the zakat assessments for the years from 2014 to 2018 with an additional liability of SR 229.3 million. The Group had filed an appeal against the assessments. The Group's management is of view that they will win this appeal and based on that they did not account for the additional zakat liability. The accounting for this uncertain zakat provisions comprises significant judgement by the management mainly in the areas whether to recognise this uncertain position as a contingent liability or as a provision. Given the high level of management's judgement we considered this area to be important for our audit.	We performed the following procedures in relation to the additional assessed zakat liability: • Evaluated this zakat case by evaluating the reports issued by the ZATCA. • Gained the understanding of the process management followed to assess the impact of the assessment. • Evaluated the zakat opinion of management's expert obtained by the Group on the respective case. • Evaluated the reasonableness of management's assessment for the accounting of the uncertain zakat provision in the light of zakat regulations, recent practices of ZATCA and merits of the appeals filed with the ZATCA against the assessments raised. • Evaluated the updates on this case during the year by reviewing the correspondence between the Group and ZATCA. • Assessed the appropriateness of the disclosure made in relation to the contingent liability in respect of the additional liability for the zakat assessed and the status of the related appeal.

Other information included in The Group's 2021 Annual Report

Other information consists of the information included in the Group's 2021 annual report, other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information in its annual report. The Group's 2021 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Group's 2021 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young Professional Services

Waleed G. Tawfiq
Certified Public Accountants
Registration No. 437

21 Sha'aban 1443H
24 March 2022

Al Khobar

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CR. 2051058792
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

Continuing Operations	Notes	SR'000	SR'000
REVENUES		**2021**	2020
Revenue from contracts with customers	6	3,510,837	3,368,962
Finance lease income		12,980	14,000
		3,523,817	3,382,962
DIRECT COSTS			
Cost of sales	7	(2,489,536)	(2,141,988)
Contracts cost	8	(558,537)	(794,613)
		(3,048,073)	(2,936,601)
GROSS PROFIT		**475,744**	446,361
EXPENSES			
Selling and distribution	9	(169,674)	(153,968)
General and administration	10	(416,489)	(353,771)
OPERATING LOSS		(110,419)	(61,378)
Share in results of associates and a joint venture	17	2,382	24,836
Other income, net	11	26,292	38,420
Finance costs	12	(51,959)	(75,459)
Impairment loss on goodwill	20	-	(21,126)
LOSS BEFORE ZAKAT AND INCOME TAX FROM CONTINUING OPERATIONS		**(133,704)**	(94,707)
Zakat and income tax	34	(17,269)	(13,045)
Deferred tax	34	1,382	(1,975)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(149,591)**	(109,727)
Discontinued Operations			
Loss after zakat and income tax for the period from discontinued operations	13	(3,274)	(40,111)
NET (LOSS) INCOME FOR THE YEAR		**(152,865)**	(149,838)
NET LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the parent company		(159,417)	(159,873)
Non-controlling interests		6,552	10,035
		(152,865)	(149,838)
EARNINGS PER SHARE FROM NET LOSS			
Basic and diluted earnings per share attributable to the shareholders of the parent company	14	(2.66)	(2.66)
EARNINGS PER SHARE FOR CONTINUING OPERATIONS			
Basic and diluted earnings per share attributable to the shareholders of the parent company	14	(2.60)	(2.00)

The attached notes 1 to 42 form part of these consolidated financial statements.

Consolidated Statement Of Comprehensive Income
For the year ended 31 December 2021

	Notes	SR'000 2021	SR'000 2020
NET LOSS FOR THE YEAR		**(152,865)**	(149,838)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Foreign currency differences on translation of foreign operations		(1,585)	(1,654)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(1,585)**	(1,654)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Net gains on equity instruments at fair value	18	9,111	14,510
Actuarial (loss) gain on employees' defined benefit liabilities	29	(15,281)	1,825
Share in other comprehensive income of an associate	17	(856)	30
Net other comprehensive (loss) income that will not be reclassified to profitor loss in subsequent periods		(7,026)	16,365
Other comprehensive (loss) income for the year		(8,611)	14,711
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(161,476)**	(135,127)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the parent company		(166,745)	(145,298)
Non-controlling interests		5,269	10,171
		(161,476)	(135,127)

Consolidated Statement of Financial Position
As at 31 December 2021

	Notes	SR'000 2021	SR'000 2020
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	804,853	868,553
Right-of-use assets	16	71,336	96,189
Investments in associates and a joint venture	17	91,264	94,738
Equity instruments at fair value through other comprehensive income	18	52,359	53,650
Net investments in finance lease	19	266,844	292,507
Deferred tax assets	34	5,163	2,710
TOTAL NON-CURRENT ASSETS		**1,291,819**	1,408,347
CURRENT ASSETS			
Inventories	21	1,435,348	1,167,785
Accounts receivable	22	1,775,474	1,718,629
Contract assets	23	659,141	616,215
Advances, other receivables and prepayments	24	237,737	183,754
Current portion of net investment in finance lease	19	25,662	24,598
Cash and cash equivalents	25	280,461	156,092
		4,413,823	3,867,073
Asset held for sale	13	**18,437**	-
TOTAL CURRENT ASSETS		**4,432,260**	3,867,073
TOTAL ASSETS		**5,724,079**	5,275,420

The attached notes 1 to 42 form part of these consolidated financial statements.

Consolidated Statement of Financial Position (continued)

As at 31 December 2021

	Notes	SR'000	SR'000
EQUITY AND LIABILITIES		**2021**	2020
EQUITY			
Share capital	26	**600,000**	600,000
Statutory reserve		**180,000**	180,000
Retained earnings		**200,777**	375,048
Foreign currency translation reserve		**(30,228)**	(28,643)
Fair value reserve		**16,175**	7,064
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		**966,724**	1,133,469
NON-CONTROLLING INTERESTS	27	**182,900**	201,439
TOTAL EQUITY		**1,149,624**	1,334,908
NON-CURRENT LIABILITIES			
Term loans	28	**7,040**	14,510
Employees' defined benefit liabilities	29	**229,134**	213,236
Lease liabilities	16	**54,612**	59,688
Deferred tax liabilities	34	**7,152**	6,077
TOTAL NON-CURRENT LIABILITIES		**297,938**	293,511
CURRENT LIABILITIES			
Accounts payable	30	**624,541**	456,591
Accruals and provisions	31	**476,051**	386,138
Short term loans	32	**2,435,369**	2,161,550
Current portion of term loans	28	**40,208**	165,803
Current portion of lease liabilities	16	**16,763**	31,550
Contract liabilities	33	**636,256**	402,771
Zakat and income tax provision	34	**47,329**	42,598
TOTAL CURRENT LIABILITIES		**4,276,517**	3,647,001
TOTAL LIABILITIES		**4,574,455**	3,940,512
TOTAL EQUITY AND LIABILITIES		**5,724,079**	5,275,420

The attached notes 1 to 42 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2021

Attributed to shareholders of the parent company SR'000

	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Fair value reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2020	600,000	180,000	533,202	(26,989)	(7,446)	1,278,767	201,068	1,479,835
Net (loss) profit for the year	-	-	(159,873)	-	-	(159,873)	10,035	(149,838)
Other comprehensive income (loss)	-	-	1,719	(1,654)	14,510	14,575	136	14,711
Total comprehensive (loss) income	-	-	(158,154)	(1,654)	14,510	(145,298)	10,171	(135,127)
Movement in non-controlling interests	-	-	-	-	-	-	(9,800)	(9,800)
Balance at 31 December 2020	600,000	180,000	375,048	(28,643)	7,064	1,133,469	201,439	1,334,908
Net (loss) profit for the year	-	-	(159,417)	-	-	(159,417)	6,552	(152,865)
Other comprehensive (loss) income	-	-	(14,854)	(1,585)	9,111	(7,328)	(1,283)	(8,611)
Total comprehensive (loss) income	-	-	(174,271)	(1,585)	9,111	(166,745)	5,269	(161,476)
Movement in non-controlling interests	-	-	-	-	-	-	(23,808)	(23,808)
Balance at 31 December 2021	**600,000**	**180,000**	**200,777**	**(30,228)**	**16,175**	**966,724**	**182,900**	**1,149,624**

The attached notes 1 to 42 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	SR'000	SR'000
OPERATING ACTIVITIES	**2021**	2020
Loss before zakat and income tax from continuing operations	**(133,704)**	(94,707)
Loss before zakat and income tax from discontinued operations	**(3,274)**	(39,031)
Loss before zakat and income tax	**(136,978)**	(133,738)
Adjustments to reconcile loss before zakat and income tax to net cash flows::		
Depreciation of property, plant and equipment	**94,481**	107,248
Depreciation of right-of-use assets	**21,154**	21,916
Provision for employees' defined benefit liabilities	**26,487**	29,074
Impairment loss on non-current assets	**-**	43,182
Finance costs	**54,100**	79,636
Dividend income	**(446)**	(891)
Loss (gain) on disposal of property, plant and equipment	**1,570**	(10,445)
Share in results of associates and a joint venture	**(2,382)**	(24,836)
(Gain) loss on derecognition of leases	**(7,977)**	100
	50,009	111,246
Working capital adjustments:		
Inventories	**(267,563)**	71,606
Accounts receivable	**(56,845)**	177,033
Contract assets	**(42,926)**	(51,446)
Advances, other receivables and prepayments	**(53,983)**	(4,168)
Net investment in finance lease	**24,599**	23,577
Accounts payable	**167,950**	64,372
Accruals and provisions	**89,913**	(26,915)
Contract liabilities	**233,485**	108,743
Cash from operations	**144,639**	474,048
Financial charges paid	**(44,743)**	(63,156)
Zakat and income tax paid	**(12,539)**	(16,298)
Employees' defined benefit liabilities paid	**(30,579)**	(55,593)
Net cash from operating activities	**56,778**	339,001
INVESTING ACTIVITIES		
Purchase of property, plant and equipment		
Proceeds from disposal of property, plant and equipment	**(53,329)**	(40,212)
Proceeds from reduction in share capital of equity investment	**1,858**	12,778
Dividends received	**10,402**	-
	5,446	10,891
Net cash used in investing activities	**(35,623)**	(16,543)
FINANCING ACTIVITIES		
Net movement in short term loans		
Net movement in term loans	**273,819**	(322,170)
Payments against lease liabilities	**(133,577)**	(14,272)
Movement in non-controlling interests	**(12,323)**	(16,442)
	(23,808)	(9,800)
Net cash from (used in) financing activities	**104,111**	(362,684)

The attached notes 1 to 42 form part of these consolidated financial statements.

INCREASE IN CASH AND CASH EQUIVALENTS	**125,266**	(40,226)
Cash and cash equivalents at the beginning of the year	**156,092**	197,252
Movement in foreign currency translation reserve, net	**(897)**	(934)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**280,461**	156,092

	SR'000	SR'000
NON-CASH TRANSACTIONS	**2021**	2020
Share in other comprehensive income of an associate	**856**	(30)
Exchange differences on property, plant and equipment	**683**	730
Additions on right-of-use assets and lease liabilities	**188**	-
Exchange differences on deferred tax assets	**4**	28
Exchange differences on zakat and income tax provision	**1**	(38)
Remeasurement (loss) gain on employees' defined benefit liabilities	**(15,281)**	1,825

The attached notes 1 to 42 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
At 31 December 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 1396H (corresponding to 14 September 1976) with the following branch in the Kingdom of Saudi Arabia:

Commercial registration number	Date	Location
2050099363	8 Jumada' II 1435H	Dammam

The Company has investment in the following subsidiaries:	Effective ownership percentage	
	2021	2020
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%
Ikhtebar 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	**92.27%**	92.27%

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 consolidated financial statements of the Group as of 31 December 2021 were authorised for issuance in accordance with the Board of Directors' resolution on 24 March 2022 (corresponding to 21 Sha'ban 1443H).

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Basis of measurement
These 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 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.

Basis of consolidation
These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Income and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements (continued)
At 31 December 2021

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in consolidated statement of income. Any investment retained is recognised at fair value.

Non-controlling interest represents the portion of profit or loss and net assets that are not held by the Group and are presented separately in the consolidated statement of financial position and within shareholders' equity in the consolidated statement of financial position, separately from the equity attributable to the shareholders of the Group.

Property, plant and equipment/depreciation
Construction in progress, property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated statement of income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings on leasehold lands	Machinery	Furniture, fixtures and equipment	Motor vehicles
20 to 40 years	5 to 20 years	3 to 5 years	3 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases
Group as lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives.

Plots of land	Buildings
5 to 30 years	3 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Investments in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and noncontrolling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the consolidated statement of income. Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

Net investment in finance lease
Where the Group determines a long term cooling water arrangement to be or to contain a lease and where the Group transfers substantially all the risks and benefits incidental to ownership of the leased item, the arrangement is considered as a finance lease. A finance lease is presented as net investment in finance lease and is recognised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments received are apportioned between finance income and the reduction of the net investment in finance lease so as to achieve a constant rate of commission on the remaining balance of the asset.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification, as described below:

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade and certain other receivables.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Notes to the Consolidated Financial Statements (continued)
At 31 December 2021

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for its financial assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Business combination and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the consolidated statement of income.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the consolidated statement of income.

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at each reporting date.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Inventories
Inventories are stated at the lower of cost and net realizable value. Costs are those expenses incurred in bringing each product to its present location and condition and is calculated on the following basis:

Raw materials	- purchase cost on a weighted average basis.
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity.
Goods in transits	- cost of direct materials which are under shipment and for which risks and rewards have been passed to the Group and are stated at cost.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2021

Withholding tax

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, as required under Saudi Arabian Income Tax Law.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and time deposits with original maturity of three-months or less from the acquisition date which are subject to an insignificant risk of changes in value.

Statutory reserve

As required by Saudi Arabian Regulations for Companies, the Company must transfer 10% of its income to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of income. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Employees' defined benefit liabilities

The Group operates a non-funded employee end-of-service benefit plan, which is classified as defined benefit obligation under IAS 19 'Employee Benefits'. A defined benefit plan is a plan which is not a defined contribution plan. The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets at that date. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the end of the reporting period of high quality corporate bonds that have terms to maturity approximating to the estimated term of the post employment benefit obligations. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognized in equity through other comprehensive income in the period in which they arise.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable, they are recorded in the consolidated statement of financial position under accounts payable and accruals. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Zakat and income tax
Zakat and income tax
Zakat is provided for the Company and for subsidiaries operate inside the Kingdom of Saudi Arabia in accordance with Regulations of the Zakat, Tax and Customs Authority (the "ZATCA") prevailing in the Kingdom of Saudi Arabia. Income tax is provided for in accordance with fiscal regulations in which the Company’s subsidiaries operate. Provision for zakat and income tax is charged to the consolidated statement of income.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

Value-Added Tax ("VAT")
Revenues, expenses and assets are recognised net of the amount of VAT, except for:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable ; and

- in case of receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the tax authority is classified as an asset or a liability, respectively, in the statement of consolidated financial position.

Revenue recognition
Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

A) Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Notes to the Consolidated Financial Statements (continued)

At 31 December 2021

In general the contracts for the sale of goods do not provide customers with a right of return and volume rebates. Accordingly, the application of the constraint on variable consideration did not have any impact on the revenue recognised by the Group.

The Group provides normal warranty provisions for general repairs for one to five years on its certain products, in line with industry practice. A liability for potential warranty claims is recognised at the time the product is sold. The Group does not provide any extended warranties or maintenance contracts to its customers.

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

B) Rendering of services

The Group provides installation, maintenance and engineering services that are either sold separately or bundled together with the sale of equipment to a customer. These services can be obtained from other providers and do not significantly customise or modify the equipment.

Contracts for bundled sales of equipment and related services are comprised of two performance obligations because the promises to transfer equipment and provide maintenance or installation services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the equipment and maintenance or installation services.

The Group recognises revenue from above services at a point in time, generally upon completion of the service or delivery of the equipment.

C) Revenue from long-term contracts

The Group has determined that for its long-term contracts for turnkey projects in its steel and air conditioner segments and for made-to-order equipment in its steel segment, the customer controls all of the work in progress as the project progresses and equipment is manufactured. This is because under those contracts the works are performed and equipment are made to a customer's specification and if a contract is terminated by the customer, then the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin.

At the time of entering into a contract, the Group identifies the performance obligations attached to each contract. For this purpose, the Group evaluates the contractual terms and its customary business practices to identify whether there are distinct performance obligations within each contract. The Group determines the transaction price of each contract in order to identify the transaction price of each aforementioned performance obligations as the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to a customer. Having determined the transaction price of the contract, the Group allocates the transaction price to each performance obligation.

The Group recognises revenue upon the satisfaction of performance obligations attached to contracts, which occurs when service obligations mentioned in the contract are met and accepted by the customer in form of acceptance of works completed. The Group recognises revenue from such long-term contracts over time, using an input method to measure progress towards complete satisfaction of the performance obligation by reference to the percentage of completion method. In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on the proportion of total contract costs incurred to date and the estimated cost to complete.

The Group receives advances from customers for its long-term projects. Generally, such advances are not significant to the contract consideration and received in the normal course of business at the start of the project. The Group does not adjust the promised amount of consideration for the effects of a significant financing component as the Group has determined that such advances are received for reasons other than financing the projects. These advances are adjusted against progress billings raised to the customer in accordance with the terms of the contract.

The value of work completed but not billed at the date of consolidated statement of financial position is classified as "contract assets" under current assets in the consolidated statement of financial position. Amounts billed in excess of work completed and advances received at the consolidated statement of financial position date is classified as "contract liabilities" under current liabilities in the consolidated statement of financial position. Invoices are issued according to contractual terms and are usually payable within 30 to 90 days.

Cost to obtain a contract
The Group pays sales commission to its employees and sales agents for certain contracts for sales of goods and services. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions because the amortisation period of the asset that the Group otherwise would have used is one year or less.

Finance income
Finance income, including income arising from finance leases and other financial instruments, is recognised using the effective interest method.

Contract balances
Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Accounts receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Expenses
Expenses are recognised when incurred based on the accrual basis of accounting. Selling and distribution expenses are those that specifically relate to salesmen, sales department, warranties, warehousing and delivery vehicles. All other expenses related to main operations are allocated on a consistent basis to direct costs and general and administration expenses in accordance with allocation factors determined as appropriate by the Group. Finance costs are presented separately in consolidated statement of income.

Foreign currencies
The Group's consolidated financial statements are presented in Saudi Riyal, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of income reflects the amount that arises from using this method.

Transaction and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the consolidated statement of income with the exception of differences on foreign monetary items that form part of a net investment in a foreign operation. These are recognised in OCI until the disposal of the net investment, at which time they are reclassified to consolidated statement of income.

Notes to the Consolidated Financial Statements (continued)

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Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or consolidated statement of income, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyal at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to consolidated statement of income.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

The Group measures financial instruments such as available for sale investments at fair value at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows and other relevant factors. Cost is considered to be the fair value where there is no reliable fair value information available for such investments.

Non-current assets held for sale and discontinued operations
The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of income.

Notes to the Consolidated Financial Statements (continued)
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3 CHANGES TO THE GROUP'S ACCOUNTING POLICIES

"The accounting policies adopted in the preparation of the 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 following standards and interpretations applied for the first time which are effective from 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

New and amended standards and interpretations

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 consolidated financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. This amendment had no impact on the consolidated financial statements of the Group.

4 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the Group's 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.

Capital management	Note 39
Financial risk management objectives and policies	Note 38
Sensitivity analyses disclosures	Note 38

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.

In particular, information about significant areas of estimation, uncertainty, and critical judgments in applying accounting policies (that have the most significant effect on the amount recognized in the consolidated financial statements) includes:

Impairment of non-financial assets
An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Valuation of defined benefit obligations
The cost of the defined benefit pension plan and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and other assumptions. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Impairment of accounts receivables, contract assets and net investment in finance lease
The Group uses a provision matrix to calculate expected credit losses (ECLs) for accounts receivables, contract assets and net investment in finance lease. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed loss rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in a particular sector, the historical loss rates are adjusted. At every reporting date, the historical observed loss rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed loss rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual loss in the future.

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At 31 December 2021

Zakat and income tax
At each reporting date, the Group is required to estimate zakat base and the income tax provision which is based on the Group's understanding of zakat and income tax regulations prevailing in the Kingdom of Saudi Arabia. The zakat and income tax 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.

Estimated cost to complete
At each reporting date, the Group is required to estimate costs to complete on fixed-price contracts. Estimating costs to complete on such contracts requires the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. This estimate will impact contract revenues, contract costs and contract assets. Project costs to complete estimate is based on the managements best estimates at the reporting date after considering all the available and known factors.

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Fair value measurement of financial instruments
When the fair values of financial assets recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Useful lives of property, plant and equipment
The management determines the estimated useful lives of its equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Provisions
By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for uncertain liabilities including warranty provisions involve management's best estimate of whether cash outflows are probable.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Reference to the Conceptual Framework – Amendments to IFRS 3
In In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 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 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling 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.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

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Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administration costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group’s accounting policy disclosures.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

	SR'000 **2021**	SR'000 **2020**
Set out below is the disaggregation of the Group's revenue from contracts with customers:		
Sale of goods	**2,587,236**	2,250,526
Revenue from long-term contracts	**666,702**	859,829
Rendering of services	**256,899**	258,607
Total revenue from contracts with customers	**3,510,837**	3,368,962

Reconciliation of the Group's disaggregate revenue for its reportable segments and timing of revenue recognition is disclosed in note 37.

Contract balances

	SR'000 **2021**	SR'000 **2020**
Group's contract balances comprise of the followings:		
Accounts receivable (note 22)	**1,775,474**	1,718,629
Contract assets (note 23)	**659,141**	616,215
Contract liabilities (note 33)	**636,256**	402,771

Accounts receivable are non-interest bearing and are generally on terms of 30 to 180 days.

Contract assets are initially recognised for revenue earned from its long-term contracts in its steel and air conditioner segment as receipt of consideration that is conditional on successful completion of obligations mentioned in the contract and accepted by the customer in form of acceptance of works completed. Upon completion of contract obligation and acceptance by the customer, the amounts recognised as contract assets are reclassified to accounts receivable.

Contract liabilities include advances received from customer and billings in excess of value of work executed against its long-term contracts.

7 COST OF SALES

	SR'000 **2021**	SR'000 2020
Cost of inventories recognised as expense	**1,578,082**	1,308,093
Employees' and labour costs	**418,203**	454,345
Sub-contracting costs	**135,103**	77,374
Depreciation (note 15)	**64,900**	69,516
Depreciation of right-of-use assets (note 16)	**9,074**	9,593
Others direct costs	**284,174**	223,067
	2,489,536	2,141,988

8 CONTRACTS COST

	2021	2020
Materials consumed	**203,084**	394,304
Sub-contracting costs	**171,846**	199,522
Employees' and labour costs	**142,102**	168,653
Depreciation (note 15)	**7,887**	7,639
Others direct costs	**33,618**	24,495
	558,537	794,613

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9 SELLING AND DISTRIBUTION EXPENSES

	SR'000 2021	SR'000 2020
Employees' costs	**92,997**	72,969
Transportation	**19,979**	21,165
Warranties	**15,381**	18,385
Rent and utilities	**8,521**	5,729
Depreciation (note 15)	**4,839**	2,715
Advertising and sales promotion	**4,688**	4,651
Depreciation of right-of-use assets (note 16)	**8,013**	8,493
Business travel	**2,030**	1,263
Support services	**1,811**	4,235
Communication and IT services	**1,206**	962
Repairs and maintenance	**859**	690
Others	**9,350**	12,711
	169,674	153,968

10 GENERAL AND ADMINISTRATION EXPENSES

	2021	2020
Employees' costs	**220,519**	223,564
Allowance for expected credit losses (notes 22 and 23)	**99,201**	46,513
Communication and IT services	**23,175**	22,540
Depreciation (note 15)	**16,855**	17,147
Rent and utilities	**9,883**	6,494
Professional and legal fees	**7,852**	6,781
Repairs and maintenance	**3,055**	4,049
Business travel	**2,031**	2,552
Depreciation of right-of-use assets (note 16)	**1,757**	428
Office supplies	**552**	2,185
Others	**31,609**	21,518
	416,489	353,771

11 OTHER INCOME, NET

	SR'000 2021	SR'000 2020
Foreign currency exchange gains (losses)	**1,247**	(1,667)
(Loss) gain on disposal of property, plant and equipment	**(1,570)**	10,445
Others	**26,615**	29,642
	26,292	38,420

12 FINANCE COSTS

	2021	2020
Interest on debts and borrowings	**44,743**	61,775
Interest cost on employees' defined benefit obligation (note 29)	**4,623**	6,790
Interest on lease liabilities (note 16)	**2,081**	2,803
Amortisation of loan upfront fees (note 28)	**512**	4,091
	51,959	75,459

13 DISCONTINUED OPERATIONS

13.1 During the year, the executive management had decided to discontinue with one of the subsidiary's branch operations. The results of the branch have been classified as discontinued operations in the consolidated statement of profit or loss. The results of the discontinued branch for the year are presented below:

	SR'000	SR'000
	2021	2020
Revenues	**12,221**	-
Expenses	**(13,354)**	(21,294)
Operating loss	**(1,133)**	(21,294)
FINANCE COSTS		
Employees' defined benefit liabilities (note 29)	**(86)**	(171)
Lease liability (note 16)	**(2,055)**	(2,152)
Loss from discontinued operations	**(3,274)**	(23,617)
AMOUNT INCLUDED IN OTHER COMPREHENSIVE INCOME		
Actuarial (loss) gain on defined benefit liabilities	**(21)**	40
The net cash flows incurred are as follows:		
Operating	**(1,570)**	4,314
Investing	**268**	(484)
Financing	**(474)**	(4,643)
Net cash outflow	**(1,776)**	(813)

Net carrying value of the building amounting to SR 18.4 million is held for sale as management is looking for a buyer to sell this building. The sale is expected within a year from the reporting date. The building has been classified as assets held for sale in the statement of financial position at lower of its carrying amount and fair value less costs to sell. The building is constructed on a leasehold land and will be transferred to the buyer upon the sale of the building. Accordingly, the related right-of-use assets and lease liability are amounting to SR 32 million and SR 34 million, respectively. The depreciation charge and interest expense for right-of-use assets and leases are amounting to SR 2.3 million (2020: SR 2.3 million) and SR 2 million (2020: SR 2.2 million), respectively. All other assets and liabilities are immaterial to the consolidated financial statements of the Group.

13.2 During the previous year, the executive management had decided to discontinue with one of the subsidiary's operations. The results of the operations have been classified as discontinued operations in the prior year consolidated statement of profit or loss. The results of the discontinued operations for the year are presented below:

Notes to the Consolidated Financial Statements (continued)
At 31 December 2021

	2020
Revenues	131,110
Expenses	(144,670)
Operating loss	(13,560)
Finance costs:	
Interest expense on short-term borrowings (note 32)	(1,381)
Employees' defined benefit liabilities (note 29)	(287)
Lease liability (note 16)	(186)
Loss before zakat from discontinued operations	(15,414)
Zakat expense	(1,080)
Loss for the year from discontinued operations	(16,494)
Amount included in other comprehensive income:	
Actuarial loss on defined benefit schemes	(131)
The net cash flows incurred are as follows:	
Operating	18,261
Investing	1,429
Financing	(1,317)
Net cash inflow	18,373

Net carrying value of the property, plant and equipment amounting to SR 790 thousands were related to discontinued operations are used in continuing operations and had not been classified as assets held for sale in prior year statement of financial position. The total depreciation charge included SR 2.5 million from that assets. The depreciation charge and interest expense for right-of-use assets and leases were amounted to SR 1,092 thousands and SR 186 thousands, respectively. All other assets and liabilities were immaterial to the consolidated financial statements of the Group.

14 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net loss for the year attributable to the shareholders of the parent company by the weighted average number of outstanding shares during the year as follows:

	2021	2020
Net loss for the period attributable to the shareholders of the parent company (SR '000):		
Continuing operations	**(156,143)**	(119,762)
Discontinued operations	**(3,274)**	(40,111)
	(159,417)	(159,873)
Weighted average number of outstanding shares during the year (share '000)	**60,000**	60,000
Earning per share from net loss	SR	SR
Basic and diluted earnings per share attributable to the shareholders of the parent company	**(2.66)**	(2.66)
Earning per share for continuing operations		
Basic and diluted earnings per share attributable to the shareholders of the parent company	**(2.60)**	(2.00)
Earning per share for discontinued operations		
Basic and diluted earnings per share attributable to the shareholders of the parent company	**(0.06)**	(0.66)

15 PROPERTY, PLANT AND EQUIPMENT	Freehold land	Buildings	Machinery	Furniture, fixtures and equipment	Motor vehicles	Capital work-in-progress	Total
			SR'000				
Cost:							
At 1 January 2020	112,918	942,862	1,639,177	238,094	107,685	1,455	**3,042,191**
Additions	-	10,549	9,166	2,967	1,321	16,209	**40,212**
Transfer	-	225	2,174	1,226	-	(3,625)	**-**
Disposals	(5,024)	(11,504)	(23,682)	(3,632)	(4,059)	-	**(47,901)**
Foreign currency translation	(133)	(833)	(705)	(401)	33	-	**(2,039)**
At 31 December 2020	107,761	941,299	1,626,130	238,254	104,980	14,039	**3,032,463**
Additions	-	6,306	10,378	13,330	1,772	21,543	**53,329**
Transfer	-	921	28,186	3,904	-	(33,011)	**-**
Disposal	(10,655)	(12,224)	(161,220)	(21,870)	(3,159)	(709)	**(209,837)**
Transfer to asset held for sale (note 13)	-	(110,314)	-	-	-	-	**(110,314)**
Foreign currency translation	5	(527)	(789)	(472)	(5)	2	**(1,786)**
At 31 December 2021	**97,111**	**825,461**	**1,502,685**	**233,146**	**103,588**	**1,864**	**2,763,855**

PROPERTY, PLANT AND EQUIPMENT	Freehold land	Buildings	Machinery	Furniture, fixtures and equipment	Motor vehicles	Capital work-in-progress	Total
			SR'000				
Depreciation and impairment:							
At 1 January 2020	15,027	538,694	1,227,382	203,888	96,492	-	2,081,483
Charge for the year	-	32,921	58,102	12,911	3,314	-	107,248
Impairment losses	-	19,458	721	1,877	-	-	22,056
Disposals	(4,222)	(11,078)	(22,623)	(3,592)	(4,053)	-	(45,568)
Foreign currency translation	(150)	(502)	(393)	(294)	30	-	(1,309)
At 31 December 2020	10,655	579,493	1,263,189	214,790	95,783	-	2,163,910
Charge for the year	-	27,538	52,011	10,908	4,024	-	94,481
Disposals	(10,655)	(12,214)	(158,935)	(21,469)	(3,136)	-	(206,409)
Transfer to asset held for sale (note 13)	-	(91,877)	-	-	-	-	(91,877)
Foreign currency translation	-	(195)	(531)	(371)	(6)	-	(1,103)
At 31 December 2020	**-**	**502,745**	**1,155,734**	**203,858**	**96,665**	**-**	**1,959,002**
Net book amounts:							
At 31 December 2021	**97,111**	**322,716**	**346,951**	**29,288**	**6,923**	**1,864**	**804,853**
At 31 December 2020	97,106	361,806	362,941	23,464	9,197	14,039	868,553

15.1 During the prior year, the management had performed the valuation exercise for property, plant and equipment of one of its subsidiaries based in United Arab Emirates due to the indications for the impairment. The management followed the fair value less costs of disposal approach. As a result of the valuation, an impairment loss of SR 22,056 thousands was recognised in consolidated statement of profit or loss. The valuation exercise was carried out by ValuStrat, an independent valuer, not related to the Group, holding a license number 743808. ValuStrat is a firm registered under Royal Institute of Chartered Surveyors. The fair value had been determined based on the market comparative approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Notes to the Consolidated Financial Statements (continued)

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15.2 The majority of the buildings are constructed on plots of land leased from The Saudi Industrial Property Authority (MODON) in Riyadh and first and second industrial city - Dammam for periods range from 4 to 25 years with various commencing dates from 2010. The Group has right to renew these lease agreements.

15.3 Capital work-in-progress represents mainly the cost incurred in respect of new building, expansion, upgrading of production facilities, new production line and machinery and equipment acquired for general modernisation. During the year, an amount of SR 33 million (2020: SR 4 million) has been transferred to the respective asset class.

15.4 Property, plant and equipment amounting to SR 15 million (2020: 61 SR million) net book value are mortgaged as a security against the loans obtained from the financial institutions (notes 28 and 32).

16 LEASES

The Group has lease contracts for plots of land and buildings used in its operations. Leases of plots of land and buildings generally have lease terms between 5 and 20 years. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios.

The Group also has certain leases with lease terms of 12 months or with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Plots of land	Buildings	Total
	SR'000	SR'000	SR'000
As at 1 January 2020	86,763	32,423	**119,186**
Derecognition	(1,081)	-	**(1,081)**
Depreciation expense	(8,822)	(13,094)	**(21,916)**
As at 31 December 2020	76,860	19,329	**96,189**
Additions	188	-	**188**
Derecognition	-	(3,887)	**(3,887)**
Depreciation expense	(8,060)	(13,094)	**(21,154)**
As at 31 December 2021	68,988	2,348	**71,336**

Set out below are the carrying amounts of lease liabilities and the movements during the year:	**2021**	2020
	SR'000	SR'000
At the beginning of the year	**91,238**	103,520
Interest expense	**4,136**	5,141
Additions	**188**	-
Derecognition	**(11,864)**	(981)
Payments	**(12,323)**	(16,442)
At the end of the year	**71,375**	91,238
Analysed as:		
Current	**16,763**	31,550
Non-current	**54,612**	59,688
	71,375	91,238

The maturity analysis of lease liabilities are disclosed in note 38.

The following are the amounts recognised in consolidated statement of profit or loss:	2021	2020
	SR'000	SR'000
Depreciation expense of right-of-use assets	**21,154**	21,916
Interest expense on lease liabilities	**4,136**	5,141
Expense relating to short-term leases	**1,218**	1,253
Gain (loss) on derecognition of leases	**7,977**	(100)
Total amount recognised in consolidated statement of profit or loss	**34,485**	28,210

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

17 INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

Carrying values of the Group's share for investment in associates and a joint venture were as follows:

	2021	2020	2021	2020
Associates	Percentage of ownership		SR'000	SR'000
Rabiah Nassar and Zamil Concrete Industries Company Limited - Saudi Arabia ("RANCO") (note 17.1)	**50%**	50%	**85,144**	83,964
IIB Paper Company Limited - Cayman Islands (note 17.2)	**20.83%**	20.83%	**-**	-
			85,144	83,964

	2021	2020	2021	2020
Joint venture	Percentage of ownership		SR'000	SR'000
Middle East Air Conditioners Company Limited (note 17.3)	**51%**	51%	**6,120**	10,774
	-	11,079	**6,120**	10,774
			91,264	94,738

Notes to the Consolidated Financial Statements (continued)

At 31 December 2021

The following table illustrates the summarised financial information of the Group's investment in associates:

Summarised statement of financial position for associates	RANCO	IIB Paper Company Limited - Cayman Islands	Total
31 DECEMBER 2021	SR'000		
Current assets	197,907	2	
Non-current assets	142,618	-	
Current liabilities	(143,448)	(1,179)	
Non-current liabilities	(26,790)	-	
Net assets	170,287	(1,177)	
Proportion of the Group's ownership	50%	20.83%	
Group's share of net assets	85,144	-	
Group's carrying amount of the investment	85,144	-	85,144
31 December 2020			
Current assets	225,422	2	
Non-current assets	148,937	-	
Current liabilities	(181,472)	(1,006)	
Non-current liabilities	(24,959)	-	
Net assets	167,928	(1,004)	
Proportion of the Group's ownership	50%	20.83%	
Group's share of net assets	83,964	-	
Group's carrying amount of the investment	83,964	-	83,964

RANCO's banker has provided guarantees to various third parties on behalf of the Company, amounting to SR 66 million (2020: SR 92 million).

Summarised statements of comprehensive profit or loss	RANCO	IIB Paper Company Limited - Cayman Islands	Total
31 DECEMBER 2021	SR'000		
Revenue	224,469	-	
Operating profit	13,739	-	
Net profit (loss) for the year	15,783	(173)	
Other comprehensive loss	(1,711)	-	
Total comprehensive income (loss) for the year	14,072	(173)	
Group's share of total comprehensive income (loss)	7,036	(36)	7,000

Summarised statements of comprehensive profit or loss for associates (continued)	RANCO	IIB Paper Company Limited - Cayman Islands	**Total**
31 DECEMBER 2020		SR'000	
Revenue	290,231	-	
Operating profit	43,893	-	
Net profit (loss) for the year	42,033	(136)	
Other comprehensive income	59	-	
Total comprehensive income (loss) for the year	42,092	(136)	
Group's share of total comprehensive income (loss)	24,864	(28)	24,836

17.1 Rabiah Nasser and Zamil Concrete Industries Company Ltd ("RANCO") which is registered in Saudi Arabia and engaged in the production of concrete products, asphalt and polystyrene.

17.2 IIB Paper Company Limited is registered in Cayman Islands and is engaged in the production of tissue paper. In previous years, the Group recognised its share in loss for the year up to the carrying value of the investment.

17.3 Middle East Air Conditioners Company Limited is registered in Kingdom of Saudi Arabia and is engaged in sale of air conditioners. Summarised financial information of the joint venture, based on its financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements is set out below:

Summarised statement of financial position for joint venture	**2021**	2020
	SR'000	SR'000
Current assets (including bank balances and cash of SR 3.4 million, 2020: SR 1.2 million)	**22,751**	41,274
Non-current assets	**-**	7
Current liabilities (including zakat and income tax provision of SR 0.33 million, 2020: SR 0.3 million)	**(10,380)**	(20,039)
Non-current liabilities	**(15)**	(420)
Net assets	**12,356**	20,822
Proportion of the Group's ownership	**51%**	51%
Group's share of net assets	**6,302**	10,619
Other adjustments	**(182)**	155
Group's carrying amount of the investment	**6,120**	10,774

Notes to the Consolidated Financial Statements (continued)
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Summarised statement of comprehensive income for joint venture	2021	2020
	SR'000	SR'000
Revenues	**20,293**	36,164
Cost of sales	**(20,487)**	(31,724)
Selling and distribution expenses	**(1,486)**	(2,950)
General and administrative expenses	**(6,897)**	1,492)
Other income	**40**	260
(Loss) profit before zakat and income tax	**(8,537)**	258
Zakat and income tax	**(588)**	(312)
Total comprehensive loss for the year	**(9,125)**	(54)
Group's share of total comprehensive income for the year	**(4,654)**	(28)

18 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021	2020
	SR'000	SR'000
Kinan International For Real Estate Development Company Limited	**52,359**	53,650

Reconciliation of fair value of unquoted equity shares classified as equity instruments at fair value through other comprehensive income is as follows:

	2021	2020
	SR'000	SR'000
At the beginning of the year	**53,650**	39,140
Remeasurements recognised in consolidated statement of comprehensive income	**9,111**	14,510
Reduction in share capital	**(10,402)**	-
At the end of the year	**52,359**	53,650

This investment represents 2.11% share in Kinan International For Real Estate Development Company Limited, an unlisted company which is registered in Saudi Arabia and is engaged in real estate activities.

During the year, the shareholders of Kinan International For Real Estate Development Company Limited have passed a resolution to reduce the number of shares of the Company from 169,400 thousands to 120,000 thousands and a share capital from SR 1,694,000 thousands to SR 1,200,000 thousands through payment of cash. The legal formalities related to reduction in share capital were completed during the year.

19 NET INVESTMENT IN FINANCE LEASE

Eastern District Cooling Company ("EDCC"), a subsidiary, entered into an energy performance contract during 2008 with Saudi Iron and Steel Company ("Hadeed") for a period of 20 years. As per the terms stipulated in the agreement it is agreed to design, construct, operate and maintain a District Cooling Plant (DCP) at the premises of Hadeed. At the end of the contract term all the rights, title and interest in the DCP will be transferred to Hadeed for an all-inclusive lump sum payment of SR 53.3 million. During 2013, the construction of DCS was completed and it was transferred to Hadeed under finance lease agreement on 1 April 2013.

The net investment in finance lease and the future minimum lease payments are as follows:

a) Net investment in finance lease consists of:	2021	2020
	SR'000	SR'000
Gross investments in lease (see (b) below)	**353,901**	391,480
Less: Unearned finance income	**(61,395)**	(74,375)
	292,506	317,105
Analysed as:		
Net investment in finance lease, current	**25,662**	24,598
Net investment in finance lease, non-current	**266,844**	292,507
	292,506	317,105

b) The future minimum lease payments to be received consists of:		
Within one year	**37,577**	37,578
After one year but not more than five years	**187,888**	187,888
Five years onwards	**128,436**	166,014
	353,901	391,480

20 GOODWILL

In previous years, the Group performed its annual impairment test at each reporting date. As at 31 December 2020, the recoverable amount of GIG is determined based on a value in use calculation using cash flow projection from financial budgets approved by senior management covering a five-year period. The projected cash flows projections have been updated to reflect the future demands of the products of GIG. The cash flows beyond the five year period were extrapolated using a 2.3% growth rate that was same as the long term average growth rate for the industry in which the GIG operates. The recoverable amount was based on the CGU's value in use using a pre-tax discount rates of 15.5% to 16.3%.

As a result of the analysis in prior year, the carrying amount exceeded the estimated recoverable amount of CGU by approximately SR 21.1 million and the full impairment was allocated to goodwill.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2021

21 INVENTORIES

	2021	2020
	SR'000	SR'000
Raw materials	**685,899**	567,430
Finished goods	**379,861**	365,862
Work in progress	**166,377**	127,909
Goods in transit	**138,931**	50,920
Spares	**64,280**	55,664
Spares	**1,435,348**	1,167,785

22 ACCOUNTS RECEIVABLE

	2021	2020
	SR'000	SR'000
Trade accounts receivable	**1,890,669**	1,777,093
Receivables from related parties (note 35)	**49,047**	67,573
Retentions receivable	**238,230**	187,631
	2,177,946	2,032,297
Less: allowance for impairment of receivables	**(402,472)**	(313,668)
	1,775,474	1,718,629

For terms and conditions related to related parties receivables, refer to note 35.

Trade receivables are non-interest bearing and are generally on terms of 30 to 180 days.
Movement in the allowance for expected credit losses of trade receivables is as follows:

	2021	2020
	SR'000	SR'000
At the beginning of the year	**313,668**	325,311
Allowance for expected credit losses - continuing operations	**93,085**	43,722
Allowance for expected credit losses - discontinued operations	**-**	857
Written-off during the year	**(3,859)**	(55,926)
Exchange differences	**(422)**	(296)
At the end of the year	**402,472**	313,668

Information about the credit exposures on accounts receivable is disclosed in note 38.

23 CONTRACT ASSETS

	2021	2020
	SR'000	SR'000
Value of the work executed to date	**568,959**	596,653
Unbilled revenues	**90,182**	19,562
	659,141	616,215
Value of the work executed to date	**2,404,537**	2,021,400
Less: Amounts received and receivable as progress billings	**(1,820,390)**	(1,415,108)
	584,147	606,292
Less: allowance for expected credit losses	**(15,188)**	(9,639)
	568,959	596,653

Information about the credit exposures on contract assets is disclosed in note 38.

24 ADVANCES, OTHER RECEIVABLES AND PREPAYMENTS

	2021	2020
	SR'000	SR'000
Advances to suppliers	**125,299**	77,009
Prepaid expenses	**21,919**	25,748
Other receivables	**90,519**	80,997
	237,737	183,754

25 CASH AND CASH EQUIVALENTS

	2021	2020
Bank balances and cash	**229,412**	131,171
Short-term deposits	**51,049**	24,921
	280,461	156,092

The average interest rate on the short-term deposits during the year was 3.3% to 5% per annum (2020: 4% to 6% per annum).

26 SHARE CAPITAL

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

Notes to the Consolidated Financial Statements (continued)

At 31 December 2021

27 MATERIAL PARTIALLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:		SR'000	SR'000
Name	**Country of incorporation**	**2021**	2020
Gulf Insulation Group	Kingdom of Saudi Arabia	**49%**	49%
Accumulated balances of material non-controlling interest:			
Gulf Insulation Group		**161,505**	184,547
Income allocated to material non-controlling interest:		**2021**	2020
Gulf Insulation Group		**5,714**	8,918

The summarised financial information of the above subsidiary is provided below. This information is based on amounts before inter-group eliminations.

Summarised statement of profit or loss:	2021	2020
Revenues	**177,509**	182,664
Cost of sales	**(115,956)**	(120,715)
Other operating expenses	**(46,258)**	(46,605)
Other income	**(1,859)**	1,732
Finance costs	**(2,119)**	(3,745)
Profit before zakat	**11,317**	13,331
Zakat and income tax	**(160)**	365
Net profit for the year	**11,157**	13,696
Other comprehensive (loss) income for the year	**(2,069)**	168
Total comprehensive income for the year	**9,088**	13,864
Attributable to non-controlling interests	**5,714**	8,918
Dividends paid to non-controlling interests	**23,808**	9,800

Summarised statement of financial position:	2021	2020
Non-current assets	**284,328**	289,268
Current assets	**121,947**	115,324
Non-current liabilities	**(28,684)**	(26,716)
Current liabilities	**(120,187)**	(98,134)
Total Equity	**257,404**	279,742
Attributable to:		
Shareholders of the parent company	**95,899**	95,195
Non-controlling interests	**161,505**	184,547

Summarised cash flow information for year ended:	2021	2020
Cash flows from operating activities	**43,782**	60,601
Cash used in investing activities	**(19,892)**	(3,920)
Cash used in financing activities	**(13,292)**	(60,047)
Net increase (decrease) in the cash and cash equivalents	**10,598**	(3,366)

28 TERM LOANS

	SR'000	SR'000
	2021	2020
Term loan	**32,265**	-
Saudi Industrial Development Fund ("SIDF")	**15,400**	181,242
	47,665	181,242
Less: SIDF prepaid financial charges	**(417)**	(929)
	47,248	180,313
Less: Current portion:		
Term loan	**(30,456)**	-
Saudi Industrial Development Fund ("SIDF")	**(9,752)**	(165,803)
	(40,208)	(165,803)
Non-current portion:		
Term loan	**1,809**	-
Saudi Industrial Development Fund ("SIDF")	**5,231**	14,510
	7,040	14,510

During the year, the Group obtained a non-conventional loan of SR 32.3 million from banks to finance working capital of its subsidiaries. The loans are secured by a mortgage on the Group's property, plant and equipment (note 15). The loans are repayable in unequal instalments. The loans carry financial charges at prevailing market borrowing rates.

The Group is required to comply with certain covenants which include, among other things, certain financial ratios to be maintained under all the loan facility agreements mentioned above.

During the year, the Group has charged an amortization of SR 512 thousands (2020: SR 2.2 million) in respect of prepaid financing cost.

Following are the combined aggregate amounts of future maturities of the term loans:

Year	2022	2023	2024	2025	
SR'000	40,356	4,233	2,796	280	**47,665**

29 EMPLOYEES' DEFINED BENEFIT LIABILITIES

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its defined benefit obligations at 31 December 2021 and 31 December 2020 in respect of employees' end-of-service benefits payable under relevant local regulations and contractual arrangements. The main actuarial assumptions used to calculate the defined unfunded benefit obligation are as follows:

	2021	2020
Discount rate	**2.65%**	2.20%
Expected rate of salary increase	**2.30%**	1.70%

Notes to the Consolidated Financial Statements (continued)
At 31 December 2021

The break up of net benefit costs charged to consolidated statement of profit or loss is as follows:

	SR'000 2021	SR'000 2020
Current service cost	26,487	29,074
Interest cost on benefit obligation	4,709	7,248
Net benefit expense	31,196	36,322

Changes in the present value of defined unfunded benefit obligation is as follows:

	SR'000 2021	SR'000 2020
At the beginning of the year	213,236	234,332
Net benefit expense	31,196	36,322
Benefits paid	(30,579)	(55,593)
Remeasurement loss (gain) on employees' defined benefit liabilities	15,281	(1,825)
At the end of the year	229,134	213,236

Employees' defined benefit obligations due to a reasonable possible change in the significant actuarial assumptions, as at 31 December 2021 and 2020 is, as show below:

	SR'000 2021	SR'000 2020
Discount rate:		
0.5% increase	214,023	198,339
0.5% increase	235,067	218,701
Future salary increase:		
0.5% increase	234,541	218,205
0.5% increase	214,408	198,697

The sensitivity analysis above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. The same method has been applied for the sensitivity analysis as when calculating the recognised pension liability.

The following payments are expected against the defined benefit liability in future years:

	SR'000 2021	SR'000 2020
Within the next 12 months (next annual reporting period)	16,203	14,184
Between 2 and 5 years	81,508	70,427
Beyond 5 years but less than 10 years	137,539	122,102

The average duration of the defined benefit plan obligation at the end of the reporting period is 9.29 years (2020: 9.71 years).

30 ACCOUNTS PAYABLE

	SR'000 2021	SR'000 2020
Trade accounts payable	574,550	410,012
Retentions payable	30,336	30,401
Related parties (note 35)	19,655	16,178
	624,541	456,591

Trade payables are non-interesting bearing and are normally settled on 30 to 120 days terms. For terms and conditions with related parties, refer to note 35. For explanations on the Group's liquidity risk management processes, refer to note 38.

31 ACCRUALS AND PROVISIONS

	SR'000 2021	SR'000 2020
Accrued expenses	317,856	246,273
Accrued contract costs	146,907	127,876
Warranties provision	11,288	11,989
	476,051	386,138

32 SHORT TERM LOANS

	SR'000 2021	SR'000 2020
Murabaha and tawarruq finances	2,360,673	2,116,023
Short term loans - conventional	74,696	45,527
	2,435,369	2,161,550

The short term loans, Murabaha and Tawarruq finances were obtained from various local banks to meet the working capital requirements. These loans are secured by promissory notes and assignment of corporate guarantees and a mortgage on the Group's property, plant and equipment (note 15).

These borrowings carry commission charges at prevailing market borrowing rates. The effective commission rate for the year ended 31 December 2021 is 1.7% per annum (2020: 2.5% per annum).

33 CONTRACT LIABILITIES

	SR'000 2021	SR'000 2020
Advances from customers	540,042	300,313
Billings in excess of value of work executed	96,214	102,458
	636,256	402,771

Billings in excess of value of work executed comprise of following:

	SR'000 2021	SR'000 2020
Progress billings received or receivable	1,693,024	947,621
Less: value of work executed	(1,596,810)	(845,163)
	96,214	102,458

Notes to the Consolidated Financial Statements (continued)
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34 ZAKAT AND INCOME TAX

The major components of zakat and income tax expense for the year ended 31 December 2021 and 2020 are:

Consolidated statement of income	SR'000	SR'000
Zakat and current income tax:	**2021**	2020
Current year income tax charge	**9,584**	672
Zakat charge	**7,685**	13,453
Deferred tax (credit) charge	**(1,382)**	1,975
	15,887	16,100

Movement in zakat and income tax for the year was as follows:

	2021	2020
At the beginning of the year	**42,598**	44,809
Current year provision	**17,269**	14,125
Payments during the year	**(12,539)**	(16,298)
Exchange differences	**1**	(38)
At the end of the year	**47,329**	42,598

34.1 Zakat

Charge for the year	SR'000	SR'000
The zakat charge consists of:	**2021**	2020
Current year provision	**7,685**	13,453

The provision for the year 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.

Status of assessments
The status of assessments of the Company including its wholly owned subsidiaries and major partially owned subsidiaries are as follows:

(i) **The Company and its wholly owned subsidiaries**
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. During the prior year, the ZATCA issued 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 favour of the Group, accordingly, no additional provision has been provided in this year as well. Declarations for the years 2019 and 2020 have been filed with ZATCA. However, the assessments have not yet been raised by the ZATCA.

(ii) **Partially owned subsidiaries**
Saudi Preinsulated Pipes Industries
Zakat assessments have been agreed with the ZATCA up to 2018. The zakat declarations for the years 2019 and 2020 have been filed with the ZATCA. However, the assessments have not yet been raised by the ZATCA.

(iii) **Gulf Insulation Group**
Zakat and income tax assessments have been agreed with the ZATCA up to 2018. The zakat declarations for the years 2019 and 2020 have been filed with the ZATCA. However, the assessments have not yet been raised by the ZATCA.

34.2 Income tax

Charge for the year	SR'000	SR'000
The income tax charge consists of:	**2021**	2020
Current year provision	**9,584**	672

Income tax provision is provided for in accordance with fiscal authorities in which the Group's subsidiaries operate.

Status of assessments
The status of assessment of the major foreign subsidiaries are as follows:

Zamil Air Conditioners India Private Limited
Income tax assessments have been agreed with the Department of Income Tax of India ("the DIT") up to the year ended 31 March 2012. The income tax returns for the years ended 31 March 2013 to 31 March 2021 have been filed with the DIT. However, the final assessments have not yet been raised by the DIT.

Zamil Steel Buildings India Private Limited - India
Income tax assessments have been agreed with the DIT up to the year ended 31 March 2018. The income tax returns for the years from 2019 to 2021 have been filed with the DIT. However, the final assessments have not yet been raised by the DIT.

Zamil Construction India Private Limited
Income tax assessments have been agreed with the DIT up to the year ended 31 March 2018. The income tax returns for the years from 2019 to 2021 have been filed with the DIT. However, the final assessments have not yet been raised by the DIT.

Zamil Information Technology Global Private Limited - India
Income tax assessments have been agreed with the DIT up to the year ended 31 March 2017. The income tax returns for the years from 2018 to 2021 have been filed with the DIT. However, the final assessments have not yet been raised by the DIT for any of the year.

Zamil Steel Engineering India Private Limited - India
Income tax assessments have been agreed with the DIT up to the year ended 31 March 2019. The income tax returns of the company for the years ended 31 March 2020 and 31 March 2021 have been filed with the DIT. However, the final assessments have not yet been raised by the DIT for any of the years.

Zamil Steel Buildings Vietnam Company Limited
Income tax assessments have been agreed with the tax authorities ("the TA") of Vietnam up to the year 2019. The income tax returns of the company for the year ended 31 December 2020 have been filed with the DIT.

Zamil Structural Steel - S.A.E - Private Free Zone
The company, was established under the free zone system according to the provision of Investment Guarantees and Incentive Law number 8 of 1997. Accordingly, the company is exempted from corporate taxes and withholding taxes and these privileges will continue to apply for the lifetime of the company.

Zamil Steel Buildings Company Egypt - S.A.E
Income tax assessments have been agreed with the Egyptian tax authorities ("the tax authorities") up to the year 2019. The income tax return for the year 2020 has been filed with the tax authorities. However, the final assessments have not yet been raised by tax authorities.

Income tax has been computed based on the management's 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.

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34.3 Deferred tax

Deferred tax assets

The deferred tax assets relate to foreign subsidiaries in Vietnam, Egypt and India. The subsidiary in Egypt has incurred losses over the last two financial years and such losses are available for next five years for offset against future taxable profits of the subsidiary. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiaries.

The deferred tax asset comprises of timing differences relating to:

	SR'000	SR'000
Deferred tax asset	**2021**	2020
Accruals and provisions	**6,197**	3,742
Total deferred tax assets	**6,197**	3,742

	SR'000	SR'000
Deferred tax liability	**2021**	2020
Accelerated depreciation for tax purposes	**(1,034)**	(1,032)
Total deferred tax liability	**(1,034)**	(1,032)
Net deferred tax asset	**5,163**	2,710

Reconciliation of deferred tax assets, net was as follows:

	SR'000	SR'000
	2021	2020
At the beginning of the year	**2,710**	6,024
Tax expense during the year recognised in consolidated statement of income	**2,457**	(3,286)
Exchange differences	**(4)**	(28)
At the end of the year	**5,163**	2,710

Deferred tax liabilities

The deferred tax liabilities relates to a partially owned Saudi subsidiary with a foreign shareholder. The deferred tax liabilities comprise of timing differences relating to:

	SR'000	SR'000
Deferred tax liability	**2021**	2020
Accelerated depreciation for tax purposes	**9,284**	8,088
Total deferred tax liability	**9,284**	8,088

	SR'000	SR'000
Deferred tax asset	**2021**	2020
Employees' defined benefit liabilities	**785**	740
Allowance for doubtful debts	**1,256**	1,209
Allowance for slow moving inventories	**91**	62
Total deferred tax assets	**2,132**	2,011
Net deferred tax liability	**7,152**	6,077

Reconciliation of deferred tax liabilities, net was as follows:

	SR'000	SR'000
	2021	2020
At the beginning of the year	**6,077**	7,388
Tax expense (benefit) recognised in consolidated statement of profit or loss	**1,075**	(1,311)
At the end of the year	**7,152**	6,077

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

35 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. Amounts due from/to related parties are shown under accounts receivable and accounts payable respectively. Transactions with related parties included in the consolidated statement of income are as follows:

Relationship and name of related party		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Entity with significant influence over the Group		SR'000	SR'000	SR'000	SR'000
Zamil Group Holding Company	**2021**	**48,907**	**23,486**	**14,922**	**18,890**
	2020	9,046	29,694	7,628	15,350
Arabian Gulf Construction Company	**2021**	**563**	**-**	**6,637**	**-**
	2020	7,870	-	10,065	-
Joint venture					
Middle East Air Conditioners Co. Ltd.	**2021**	**467**	**-**	**6,213**	**-**
	2020	22,880	-	17,689	-
Associates					
Rabiah Nasser & Zamil Concrete Industries Company Limited	**2021**	**-**	**-**	**12,938**	**-**
	2020	-	-	19,236	-
ZNA Infra Private Limited - India	**2021**	**-**	**-**	**8,220**	**-**
	2020	-	-	12,657	-
Other related parties	**2021**	**443**	**23**	**117**	**765**
	2020	-	-	298	828
Total					
	2021	**50,380**	**23,509**	**49,047**	**19,655**
	2020	39,796	29,694	67,573	16,178

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Compensation of key management personnel of the Group were as follows:

	SR'000 2021	SR'000 2020
Short-term employee benefits	**5,484**	5,409
Post-employment benefits	**343**	350
Total compensation	**5,827**	5,759

The directors' remuneration for the year ended 31 December 2021 amounted to SR 1.6 million (2020: SR 1.6 million) is also included in the above table.

The amounts disclosed in the above table are the amounts recognised as an expense during the reporting period related to key management personnel.

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

The amounts due from and due to related parties have been classified as account receivables and account payables respectively in the consolidated statement of financial position (refer to note 22 and 30).

36 CONTINGENCIES AND COMMITMENTS

Guarantees

The Group's bankers have issued performance and payments guarantees, on behalf of the Group, amounting to SR 1,253 million (2020: SR 989 million).

Capital commitments

The Board of Directors have approved future capital expenditure amounting to SR 34.4 million (2020: SR 21.5 million), relating to certain expansion projects.

37 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.

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 consolidated financial statements.

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.

For the year ended 31 December 2021 (SR '000)

Business segments	Air conditioner industry	Steel industry	Insulation industry	Corporate and others	Total segments	Adjustments and eliminations	Consolidated
Revenue from contracts with customers:							
External customer	1,322,330	1,996,971	190,595	941	3,510,837	-	3,510,837
Inter-segment	8,316	-	16,133	-	24,449	(24,449)	-
	1,330,646	1,996,971	206,728	941	3,535,286	(24,449)	3,510,837
Finance lease income	12,980	-	-	-	12,980	-	12,980
Total revenue	1,343,626	1,996,971	206,728	941	3,548,266	(24,449)	3,523,817
Timing of revenue recognition:							
At a point in time	1,040,259	1,613,888	206,728	941	2,861,816	(17,681)	2,844,135
Over time	290,387	383,083	-	-	673,470	(6,768)	666,702
	1,330,646	1,996,971	206,728	941	3,535,286	(24,449)	3,510,837
Gross profit (loss)	**131,590**	**267,037**	**70,006**	**4,204**	**472,837**	**2,907**	**475,744**
Operating (loss) income	(144,010)	25,448	17,659	(14,646)	(115,549)	5,130	(110,419)

Unallocated income (expenses):	
Share in results of associates and a joint venture	2,382
Other income, net	26,292
Finance costs	(51,959)
Loss before zakat and income tax and discontinued operations	(133,704)
Zakat and income tax	(15,887)
Discontinued operations	(3,274)
Net loss for the year	(152,865)

Notes to the Consolidated Financial Statements (continued)
At 31 December 2021

For the year ended 31 December 2020 (SR '000)

Business segments	Air conditioner industry	Steel industry	Insulation industry	Corporate and others	Total segments	Adjustments and eliminations	Consolidated
Revenue from contracts with customers:							
External customer	1,526,454	1,643,890	196,131	2,487	3,368,962	-	3,368,962
Inter-segment	11,354	210	14,806	-	26,370	(26,370)	-
	1,537,808	1,644,100	210,937	2,487	3,395,332	(26,370)	3,368,962
Finance lease income	14,000	-	-	-	14,000	-	14,000
Total revenue	1,551,808	1,644,100	210,937	2,487	3,409,332	(26,370)	3,382,962
Timing of revenue recognition:							
At a point in time	1,121,721	1,190,402	210,937	2,487	2,525,547	(16,414)	2,509,133
Over time	416,087	453,698	-	-	869,785	(9,956)	859,829
	1,537,808	1,644,100	210,937	2,487	3,395,332	(26,370)	3,368,962
Gross profit (loss)	**159,575**	**216,695**	**69,419**	**(2,487)**	**443,202**	**3,159**	**446,361**
Operating (loss) income	(49,469)	(19,925)	17,562	(12,705)	(64,537)	3,159	(61,378)
Unallocated income (expenses):							
Share in results of associates and a joint venture							24,836
Other income, net							38,420
Finance costs							(75,459)
Reversal of impairment losses on non-current assets							(21,126)
Loss before zakat and income tax and discontinued operations							(94,707)
Zakat and income tax							(15,020)
Discontinued operations							(40,111)
Net loss for the year							(149,838)

At 31 December 2021 (SR '000)

Business segments	Air conditioner industry	Steel industry	Insulation industry	Corporate and others	Total segments	Adjustments and eliminations	Consolidated
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
Others:							
Investment in associates and a joint venture	-	-	-	91,264	91,264	-	91,264
Capital expenditure	10,596	12,849	20,015	9,869	53,329	-	53,329

At 31 December 2020 (SR '000)

Business segments	Air conditioner industry	Steel industry	Insulation industry	Corporate and others	Total segments	Adjustments and eliminations	Consolidated
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
Others:							
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

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

Geographic information

Revenue from external customers:	**2021**	2020
Saudi Arabia	2,541,582	2,676,216
Other Asian countries	476,155	454,167
Africa	506,080	252,579
	3,523,817	3,382,962

Non-current operating assets:	**2021**	2020
Saudi Arabia	695,234	732,147
Other Asian countries	113,811	161,662
Africa	67,144	70,933
	876,189	964,742

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

Notes to the Consolidated Financial Statements (continued)

At 31 December 2021

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings and accounts payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include accounts receivables, net investment in finance lease, short-term deposits, cash and bank balances that derive directly from its operations. The Group also holds investment in unquoted shares that is classified as equity investment at fair value through other comprehensive income.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management regularly review the policies and procedures to ensure that all the financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group does not engage into any hedging activities. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

A) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commission rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, short-term deposits and equity instruments at fair value through other comprehensive income. The sensitivity analyses in the following sections relate to the position as at 31 December 2021 and 2020.

Commission rate risk

Commission rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. The Group's exposure to the risk of changes in market commission rates relates primarily to the Group's long-term and short-term loans and its short-term deposits. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates. At 31 December 2021 and 2020, the Group's exposure to commission rate risk was not significant as its major long-term and short-term loans were subject to fixed commission rates.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries and associates. The Group did not undertake significant transactions in currencies other than Saudi Riyals, US Dollars, Japanese Yen, Egyptian Pound, Indian Rupees, Bahraini Dinar, and Euros during the year. As Saudi Riyals are pegged to US Dollars, balances in US Dollars are not considered to represent significant currency risk. The Group is exposed to currency risk on transactions and balances in Euros, Japanese Yen, Indian Rupees, Bahraini Dinar and Egyptian Pound. The Group manages currency risk exposure to Euros, Japanese Yen, Indian Rupees, Bahraini Dinar and Egyptian Pound by continuously monitoring the currency fluctuations. At 31 December 2021 and 2020, the Group's exposure to foreign currency changes for its accounts receivable and accounts payable was not material.

The Group is exposed to significant foreign currency changes on its net investment in foreign operations in Egyptian Pounds and India Rupees. The following tables demonstrate the sensitivity to a reasonably possible change in Egyptian Pound and Indian Rupee exchange rates, with all other variables held constant. The impact on the Group's pre-tax equity is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in Egyptian Pound rate	Effect on other components in equity SR '000
31 December 2021	**+3%**	**1,574**
	-3%	(1,574)
31 December 2020	**+3%**	**1,133**
	-3%	(1,133)

	Change in Indian Rupee rate	Effect on other components in equity SR '000
31 December 2021	**+2%**	955
	-2%	(955)
31 December 2020	**+2%**	**1,768**
	-2%	(1,768)

Commodity risk

The Group is exposed to the impact of market fluctuations of the price of various inputs to production including steel, electric parts, glass materials and electricity. The Group prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of such materials to manage the risk.

Equity price risk

The Group's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to unlisted equity securities at fair value was SR 52,359 thousands (2020: SR 53,650 thousands).

B) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk on its bank balances, short-term deposits, accounts receivables, contract assets, net investment in finance lease and some other receivables as follows:

	2021 SR '000	2020 SR '000
Bank balances	**226,728**	128,194
Short-term deposits	**51,049**	24,921
Accounts receivable	**1,775,474**	1,718,629
Contract assets	**659,141**	616,215
Net investments in finance lease	**292,506**	317,105
Other receivables	**90,519**	80,997
	3,095,417	2,886,061

Notes to the Consolidated Financial Statements (continued)

At 31 December 2021

Accounts receivable and contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and ensuring close follow ups.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses for each business unit of the Group. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. geographical region, product type, customer type and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed loss rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in a particular sector, the historical loss rates are adjusted. At every reporting date, the historical observed loss rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed loss rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual loss in the future.

Generally, accounts receivables are written-off if past due for more than three years and are not subject to enforcement activity. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured. At 31 December 2021, the Group has obtained letter of credits as collateral over its receivables amounting to SR 50.4 million (2020: 109.2 million) from its certain customers. The Group determined that such receivable are not exposed to significant credit risk and therefore have not been considered in ECL assessment. The Group evaluates the concentration of risk with respect to trade accounts receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Set out below is the information about the credit risk exposure at 31 December 2021 on the Group's accounts receivable and contract assets:

Accounts Receivable	Gross Carrying Amount	Loss Rate	Expected Credit Losses
	SR '000	%	SR '000
Current	**562,870**	1%	5,050
Less than 30 days	**147,522**	5%	6,913
31 - 60 days	**88,711**	3%	2,281
61 - 90 days	**62,050**	3%	1,776
91 - 180 days	**142,746**	6%	8,182
181-360 days	**210,349**	13%	28,285
More than 360 days	**626,049**	56%	348,298
Retentions receivable	**238,230**	1%	1,687
	2,078,527		402,472
Contract assets	**674,329**	2%	15,861
	2,752,856		**418,333**

Set out below is the information about the credit risk exposure at 31 December 2020 on the Group's accounts receivable and contract assets:

Accounts Receivable	Gross Carrying Amount	Loss Rate	Expected Credit Losses
	SR '000	%	SR '000
Current	**500,064**	1%	4,497
Less than 30 days	**153,913**	2%	3,044
31 - 60 days	**64,831**	3%	1,741
61 - 90 days	**55,477**	4%	2,219
91 - 180 days	**88,396**	5%	4,611
181-360 days	**193,219**	13%	25,563
More than 360 days	**611,984**	44%	270,762
Retentions receivable	**187,631**	1%	1,231
	1,855,515		313,668
Contract assets	**625,854**	2%	9,745
	2,481,369		**323,413**

Based on a provision matrix, the Group's expected credit losses at 31 December 2021 against its accounts receivable and contract assets exposed to credit risk amounted to SR 402.5 million and SR 16 million (2020: R 313.7 million and SR 9.7 million) respectively. Accordingly, the Group recognised an amount of SR 99.2 million (2020: SR 46.5 million) as provision for expected credit losses in its consolidated statement of income for its continuing operations. Related parties receivable include an amount of SR nil (2020: SR 11.1 million) attributable to discontinued operations. The Group recognised an amount of SR nil (2020: 857 thousands) as provision for expected credit losses as part of its net loss on discontinued operations in the consolidated statement of profit or loss.

Bank balances and short term deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks. At the reporting date, no significant concentration of credit risk were identified by the management.

C) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Group manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis. The Group manages its liquidity risk by ensuring that bank facilities are available. The Group's terms of sales require amounts to be paid within 30 to 180 days of the date of submitting the invoice. Trade payables are normally settled within 30 to 120 days of the date of purchase.

Excessive concentration risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's management focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Notes to the Consolidated Financial Statements (continued)
At 31 December 2021

	on demand	< 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
As at 31 December 2021						
SR '000						
Accounts payable	**19,655**	**604,886**	**-**	**-**	**-**	**624,541**
Lease liabilities	**-**	**8,818**	**7,945**	**39,674**	**38,078**	**94,515**
Other financial liabilities	**-**	**464,763**	**-**	**-**	**-**	**464,763**
Short term loans	**-**	**2,422,243**	**13,126**	**-**	**-**	**2,435,369**
Term loans	**30,000**	**3,900**	**6,456**	**7,308**	**-**	**47,664**
	49,655	**3,504,610**	**27,527**	**46,982**	**38,078**	**3,666,852**

	on demand	< 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
As at 31 December 2020						
SR '000						
Accounts payable	16,178	440,413	-	-	-	456,591
Lease liabilities	-	20,685	10,865	39,656	48,330	119,536
Other financial liabilities	-	374,149	-	-	-	374,149
Short term loans	-	2,161,550	-	-	-	2,161,550
Term loans	8,000	21,000	137,042	15,200	-	181,242
	24,178	3,017,797	147,907	54,856	48,330	3,293,068

Changes in liabilities arising from financing activities:

As at 31 December 2021

	1 January 2021	Cash inflow/ others	(Cash outflow)	31 December 2021
	SR '000	SR '000	SR '000	SR '000
Short term loans	2,161,550	20,591,098	(20,317,279)	2,435,369
Term loans	180,313	32,777	(165,842)	47,248
Lease liabilities	91,238	(7,540)	(12,323)	71,375
Total liabilities from financing activities	2,433,101	20,616,335	(20,495,444)	2,553,992

As at 31 December 2020

	1 January 2020	Cash inflow/ others	(Cash outflow)	31 December 2020
	SR '000	SR '000	SR '000	SR '000
Short term loans	2,481,828	12,050,139	(12,370,417)	2,161,550
Term loans	192,386	4,520	(16,593)	180,313
Lease liabilities	103,520	4,159	(16,441)	91,238
Total liabilities from financing activities	2,777,734	12,058,818	(12,403,451)	2,433,101

39 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2021 and the year ended 31 December 2020. Capital comprises share capital, statutory reserve, retained earnings and other reserves and is measured at SR 966,724 thousands as at 31 December 2021 (2020: SR 1,133,469 thousands).

40 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values
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 investments through other comprehensive income in unquoted shares and these have been valued using Level 3 valuation technique.

Financial assets consist of cash and cash equivalents, equity investments 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, accounts payable and some other current liabilities. The fair values of financial assets and financial liabilities approximate to their carrying amounts.

Notes to the Consolidated Financial Statements (continued)
At 31 December 2021

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

			Fair value measurement using		
	Carrying value	Fair value	Level 1	Level 2	Level 3
31 December 2021				SR '000	
Equity instruments at fair value through other comprehensive income					
At fair value	**52,359**	**52,359**	**-**	**-**	**52,359**
	52,359	**52,359**	**-**	**-**	**52,359**

			Fair value measurement using		
	Carrying value	Fair value	Level 1	Level 2	Level 3
31 December 2020				SR '000	
Equity instruments at fair value through other comprehensive income					
At fair value	53,650	53,650	-	-	53,650
	53,650	53,650	-	-	53,650

The fair value of the Group's investments in unquoted equity shares at 31 December 2021 and 2020 have been measured using Level 3 (significant unobservable inputs). The Group estimated the fair value of the investment using adjusted net asset method at 31 December 2021 and 2020. 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.

42 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 13.

43 SUBSEQUENT EVENTS

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