

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

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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REVIEW REPORT**

For the nine-month period ended 30 September 2022

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

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

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ZAMIL INDUSTRIAL INVESTMENT COMPANY (A SAUDI JOINT STOCK COMPANY)

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Zamil Industrial Investment Company, A Saudi Joint Stock Company (the "Company") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2022, and the related interim condensed consolidated statements of profit or loss, comprehensive income for the three-month and nine-month periods ended 30 September 2022 and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review:

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

Conclusion:

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

for Ernst & Young Professional Services

Marwan Al-Afaliq
Certified Public Accountant
License No. 422

Al Khobar: 9 Rabi Al-Thani 1444H
3 November 2022



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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine-month period ended 30 September 2022

	Notes	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
		<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
CONTINUING OPERATIONS					
REVENUES					
Revenue from contracts with customers	3	1,008,411	823,802	2,856,320	2,613,784
Finance lease income		2,945	3,213	9,039	9,833
		<u>1,011,356</u>	<u>827,015</u>	<u>2,865,359</u>	<u>2,623,617</u>
DIRECT COSTS					
Cost of sales		(719,514)	(611,772)	(2,091,735)	(1,770,946)
Contract costs		(138,346)	(79,415)	(408,230)	(446,765)
		<u>(857,860)</u>	<u>(691,187)</u>	<u>(2,499,965)</u>	<u>(2,217,711)</u>
GROSS PROFIT		<u>153,496</u>	<u>135,828</u>	<u>365,394</u>	<u>405,906</u>
EXPENSES					
Selling and distribution		(44,590)	(33,082)	(123,739)	(113,544)
General and administration		(75,354)	(88,780)	(237,988)	(244,899)
OPERATING PROFIT FROM CONTINUING OPERATIONS		<u>33,552</u>	<u>13,966</u>	<u>3,667</u>	<u>47,463</u>
Share in results of associates and a joint venture		1,541	925	(3,295)	6,625
Other income, net		1,555	4,159	10,107	14,945
Finance costs		(27,414)	(12,980)	(66,234)	(35,591)
(LOSS) PROFIT BEFORE ZAKAT AND INCOME TAX FROM CONTINUING OPERATIONS		<u>9,234</u>	<u>6,070</u>	<u>(55,755)</u>	<u>33,442</u>
Zakat and income tax, net	4	(5,650)	(3,803)	(15,956)	(11,423)
(LOSS) PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		<u>3,584</u>	<u>2,267</u>	<u>(71,711)</u>	<u>22,019</u>
DISCONTINUED OPERATIONS					
Loss after zakat and income tax for the period from discontinued operations	5	(515)	(986)	(3,372)	(3,635)
NET (LOSS) PROFIT FOR THE PERIOD		<u>3,069</u>	<u>1,281</u>	<u>(75,083)</u>	<u>18,384</u>
ATTRIBUTABLE TO:					
Shareholders of the parent company		2,435	852	(78,479)	13,118
Non-controlling interests		634	429	3,396	5,266
		<u>3,069</u>	<u>1,281</u>	<u>(75,083)</u>	<u>18,384</u>
(LOSS) / EARNINGS PER SHARE:					
Basic and diluted (loss) profit per share attributable to the shareholders of the parent company		<u>0.04</u>	<u>0.01</u>	<u>(1.31)</u>	<u>0.22</u>
(LOSS) / EARNINGS PER SHARE FOR CONTINUING OPERATIONS:					
Basic and diluted (loss) profit per share attributable to the shareholders of the parent company		<u>0.05</u>	<u>0.03</u>	<u>(1.25)</u>	<u>0.28</u>

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine-month period ended 30 September 2022

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
NET (LOSS) PROFIT FOR THE PERIOD	3,069	1,281	(75,083)	18,384
OTHER COMPREHENSIVE LOSS				
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	(4,276)	101	(17,508)	(1,265)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(4,276)	101	(17,508)	(1,265)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(1,207)	1,382	(92,591)	17,119
ATTRIBUTABLE TO:				
Shareholders of the parent company	(1,841)	953	(95,987)	11,853
Non-controlling interests	634	429	3,396	5,266
	(1,207)	1,382	(92,591)	17,119

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		30 September 2022 SR'000 (Unaudited)	31 December 2021 SR'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	753,291	804,853
Right-of-use assets		62,659	71,336
Investments in associates and a joint venture		62,969	91,264
Equity instrument at fair value through other comprehensive income	11	52,359	52,359
Net investments in finance lease		237,833	266,844
Deferred tax assets		4,486	5,163
TOTAL NON-CURRENT ASSETS		1,173,597	1,291,819
CURRENT ASSETS			
Inventories		1,734,237	1,435,348
Accounts receivable		1,832,461	1,775,474
Contract assets		726,172	659,141
Advances, other receivables and prepayments		339,733	237,737
Current portion of net investment in finance lease		26,490	25,662
Cash and cash equivalents		253,922	280,461
		4,913,015	4,413,823
Asset held for sale	5	18,437	18,437
TOTAL CURRENT ASSETS		4,931,452	4,432,260
TOTAL ASSETS		6,105,049	5,724,079
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	600,000	600,000
Statutory reserve		180,000	180,000
Retained earnings		122,298	200,777
Foreign currency translation reserve		(47,736)	(30,228)
Fair value reserve		16,175	16,175
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		870,737	966,724
NON-CONTROLLING INTERESTS		175,302	182,900
TOTAL EQUITY		1,046,039	1,149,624
NON-CURRENT LIABILITIES			
Term loans		5,917	7,040
Employees' defined benefit liabilities		234,529	229,134
Lease liabilities		53,411	54,612
Deferred tax liabilities		7,152	7,152
TOTAL NON-CURRENT LIABILITIES		301,009	297,938
CURRENT LIABILITIES			
Accounts payable		601,879	624,541
Accruals and provisions		516,064	476,051
Short term loans		2,870,332	2,435,369
Current portion of term loans		30,729	40,208
Current portion of lease liabilities		15,025	16,763
Contract liabilities		681,606	636,256
Zakat and income tax provision	4	42,366	47,329
TOTAL CURRENT LIABILITIES		4,758,001	4,276,517
TOTAL LIABILITIES		5,059,010	4,574,455
TOTAL EQUITY AND LIABILITIES		6,105,049	5,724,079

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2022

	<i>Attributed to shareholders of the parent company</i>							<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Foreign currency translation reserve</i>	<i>Fair value reserve</i>	<i>Total</i>			
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>		
Balance at 1 January 2022 (<i>Audited</i>)	600,000	180,000	200,777	(30,228)	16,175	966,724	182,900	1,149,624	
Net (loss) for the period	-	-	(78,479)	-	-	(78,479)	3,396	(75,083)	
Other comprehensive loss for the period	-	-	-	(17,508)	-	(17,508)	-	(17,508)	
Total comprehensive (loss) / income for the period	-	-	(78,479)	(17,508)	-	(95,987)	3,396	(92,591)	
Changes in shareholdings of a subsidiary	-	-	-	-	-	-	(7,564)	(7,564)	
Dividends	-	-	-	-	-	-	(3,430)	(3,430)	
Balance at 30 September 2022 (Unaudited)	600,000	180,000	122,298	(47,736)	16,175	870,737	175,302	1,046,039	
Balance at 1 January 2021 (<i>Audited</i>)	600,000	180,000	375,048	(28,643)	7,064	1,133,469	201,439	1,334,908	
Net profit for the period	-	-	13,118	-	-	13,118	5,266	18,384	
Other comprehensive loss for the period	-	-	-	(1,265)	-	(1,265)	-	(1,265)	
Total comprehensive income (loss) for the period	-	-	13,118	(1,265)	-	11,853	5,266	17,119	
Balance at 30 September 2021 (Unaudited)	600,000	180,000	388,166	(29,908)	7,064	1,145,322	206,705	1,352,027	

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2022

	<i>For the nine-month period ended 30 September</i>	
	2022 SR'000 (Unaudited)	2021 SR'000 (Unaudited)
OPERATING ACTIVITIES		
(Loss) profit before zakat and income tax from continuing operations	(55,755)	33,442
(Loss) before zakat and income tax from discontinued operations	(3,372)	(3,635)
Adjustments to reconcile (loss) profit before zakat and income tax to net cash flows:		
Depreciation of property, plant and equipment	66,374	72,474
Depreciation of right-of-use assets	8,461	15,441
Employees' defined benefit liabilities	954	3,120
Dividend income	(818)	-
Gain from disposal of investment in an associate	(1,072)	-
Finance costs	67,702	37,133
Share in results of associates and a joint venture	3,295	(6,625)
Loss on disposal of property, plant and equipment	147	71
	85,916	151,421
Working capital adjustments:		
Inventories	(298,889)	(125,914)
Accounts receivable	(56,987)	(118,052)
Contract assets	(67,031)	(40,570)
Advances, other receivables and prepayments	(101,996)	(67,054)
Net investment in finance lease	28,183	19,415
Accounts payable	(22,662)	(1,803)
Accruals and provisions	40,013	117,582
Contract liabilities	45,350	147,537
Cash (used in) from operations	(348,103)	82,562
Financial charges paid	(60,533)	(34,055)
Zakat and income tax paid	(19,771)	(13,035)
Net cash (used in) from operating activities	(428,407)	35,472
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(21,679)	(44,729)
Proceeds from the disposal of investment in an associate	1,072	-
Proceeds from disposal of property, plant and equipment	1,375	1,070
Dividends received	25,818	5,000
Acquisition of non-controlling interest	(7,564)	-
Net cash used in investing activities	(978)	(38,659)
FINANCING ACTIVITIES		
Net movement in short term loans	434,963	179,311
Net movement in term loans	(10,468)	(151,402)
Payments against lease liabilities	(5,458)	(7,988)
Non-controlling interest Movement	(3,430)	-
Net cash from financing activities	415,607	19,921
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(13,778)	16,734
Cash and cash equivalents at the beginning of the period	280,461	156,092
Movement in foreign currency translation reserve, net	(12,761)	(720)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	253,922	172,106

(continued...)

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the nine-month period ended 30 September 2022

*For the nine-month period
ended 30 September*

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

NON-CASH TRANSACTIONS:

Exchange differences on property, plant and equipment	(5,345)	(509)
Exchange differences on right-of-use assets	(216)	(41)
Exchange differences on income and deferred taxes	(12,761)	5



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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022

1 CORPORATE INFORMATION

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

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

The Company has investment in the following subsidiaries:

	<i>Effective ownership percentage</i>	
	<i>30 September 2022</i>	<i>31 December 2021</i>
Zamil Steel Holding Company Limited - Saudi Arabia	100%	100%
- Zamil Steel Pre-Engineered Buildings Company Limited - Saudi Arabia	100%	100%
- Zamil Structural Steel Company Limited - Saudi Arabia	100%	100%
- Zamil Towers & Galvanizing Company - Saudi Arabia	100%	100%
- Zamil Process Equipment Company Limited - Saudi Arabia	100%	100%
- Building Component Solutions Company Limited - Saudi Arabia	100%	100%
- Zamil Steel Construction Company Limited - Saudi Arabia	100%	100%
- Zamil Inspection & Maintenance of Industrial Projects Company Limited - Saudi Arabia	100%	100%
- Metallic Construction and Contracting Company Limited - Egypt	100%	100%
Zamil Air Conditioners Holding Company Limited - Saudi Arabia	100%	100%
- Zamil Air Conditioners & Home Appliances Company Limited - Saudi Arabia	100%	100%
- Zamil Central Air Conditioners Company Limited - Saudi Arabia	100%	100%
- Zamil Air Conditioning & Refrigeration Services Company Limited - Saudi Arabia	100%	100%
- Ikhteban Company Limited - Saudi Arabia	100%	100%
- Eastern District Cooling Company Limited - Saudi Arabia	100%	100%
- Zamil Energy Services Company Limited - Saudi Arabia	100%	100%
- Zamil Air Conditioning and Refrigeration Services Company W.L.L - Bahrain	100%	100%
Arabian Stonewool Insulation Company - Saudi Arabia	100%	100%
- Second Insulation Company Limited - Saudi Arabia	100%	100%
- Saudi Preinsulated Pipes Industries - Saudi Arabia	51%	51%
Gulf Insulation Group - Saudi Arabia	51%	51%
Zamil Steel Building Company - Egypt	100%	100%
Zamil Steel Buildings (Shanghai) Company Limited - China	100%	100%
Zamil Steel Buildings India Private Limited - India	100%	100%
Zamil Steel Engineering India Private Limited - India	100%	100%
Zamil Industrial Investment Company - UAE	100%	100%
Zamil Steel Industries Abu Dhabi (LLC) - UAE	100%	100%
Zamil Structural Steel Company - Egypt	100%	100%
Zamil Construction India Private Limited - India	100%	100%
Zamil Information Technology Global Private Limited - India	100%	100%
Zamil Higher Institute for Industrial Training - Saudi Arabia	100%	100%
Zamil Air Conditioners India Private Limited - India	100%	100%
Saudi Central Energy Company Limited - Saudi Arabia	100%	100%
Zamil Industrial Investment Company Asia Pte. Limited - Singapore	100%	100%
Zamil Steel Buildings Vietnam Company Limited - Vietnam*	100%	92.27%

*During the period, the Group has acquired remaining shares of Zamil Steel Buildings Vietnam Company Limited and paid SR 7.6 million as consideration for the transfer of remaining equity shares at an amount equivalent to the proportionate share of the underlying net assets. Accordingly, the related non-controlling interests is derecognised by the same amount.

At 30 September 2022

1 CORPORATE INFORMATION (continued)

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

The interim condensed consolidated financial statements of the Group as of 30 September 2022 were authorised for issuance in accordance with the Board of Directors resolution on 3 November 2022 (corresponding to 9 Rabi Al Thani 1444H).

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as endorsed in Kingdom of Saudi Arabia (KSA). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021. In addition, the results of the operations for the period ended 30 September 2022 do not necessarily represent an indicator for the results of the operations for the year ending 31 December 2022.

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

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

2.2 New standards, interpretation and amendments adopted by the Group

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

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

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

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

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

Reference to the Conceptual Framework – Amendments to IFRS 3

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

At 30 September 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	<i>For nine-month period ended 30 September (Unaudited)</i>	
	<i>2022</i>	<i>2021</i>
	<i>SR '000</i>	<i>SR '000</i>
Sale of goods	2,163,441	1,888,457
Revenue from long-term contracts	470,413	528,285
Rendering of services	222,466	197,042
Total revenue from contracts with customers	2,856,320	2,613,784

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2022

4 ZAKAT AND INCOME TAX

a) Zakat

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

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

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

b) Income tax

Income tax provision is provided for in accordance with the regulations prevailing in the country where the Group's subsidiaries operate (outside the Kingdom of Saudi Arabia). Income tax has been computed based on the managements' understanding of the income tax regulations.

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

c) Deferred tax

During the period, the Group has recorded a net deferred tax benefit of SR 9 thousands (30 September 2021: net deferred tax benefit of SR 8 thousands).

5 DISCONTINUED OPERATIONS

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

	<i>30 September</i> 2022 SR'000	<i>30 September</i> 2021 SR'000
Revenues	-	1,552
Expenses	(1,904)	(3,645)
Operating loss	(1,904)	(2,093)
Other income	-	-
Finance costs	(1,468)	(1,542)
Loss from discontinued operations	(3,372)	(3,635)

The net cash flows from discontinued operations were as follows:

Operating	2,644	32,125
Investing	-	81
Financing	(3,105)	(1,177)
Net cash (outflow) inflow	(461)	31,029

Loss per share:

	<i>30 September</i> 2022 SR'000	<i>30 September</i> 2021 SR'000
Basic and diluted loss for the period from discontinued operations	(0.06)	(0.06)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2022

6 PROPERTY, PLANT AND EQUIPMENT

During the nine-month period ended 30 September 2022, the Group has acquired assets with a cost of SR 21.6 million (nine-month period ended 30 September 2021: SR 45 million) and charged depreciation to the interim condensed consolidated statement of income of SR 66.37 million (nine-month period ended 30 September 2021: SR 72 million). Assets with a net book value of SR 1.522 million were disposed by the Group during the nine-month period ended 30 September 2022 (30 September 2021: SR 1.141 million), resulting in loss on disposal of SR 147 thousands (30 September 2021: gain of SR 71 thousands).

7 SHARE CAPITAL

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

8 CONTINGENT LIABILITIES

The Group's bankers have issued performance and payments guarantees, on behalf of the Group, amounting to SR 1,229 million (31 December 2021: SR 1,253 million).

9 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

<i>Relationship and name of related party</i>	<i>Nature of transactions</i>	<i>nine-month period ended 30 September (Unaudited)</i>	
		<i>2022</i>	<i>2021</i>
		<i>SR '000</i>	<i>SR '000</i>
<i>Entity with significant influence over the Group</i>			
	Zamil Group Holding Company		
	Sales	1,984	1,915
	Purchases	3,222	3,335
<i>Other related parties</i>			
	Sales	6,892	3,836
	Purchases	24,048	12,805

The compensation to the key management personnel during the period amounted to SR 3,356 thousands (30 September 2021: SR 3,687 thousands).

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

Amounts due from related parties at 30 September 2022 amounting to SR 56.761 million (31 December 2021: SR 49.05 million) have been included in the accounts receivable in interim condensed consolidated statement of financial position. Amounts due to related parties at 30 September 2022 amounting to SR 34.450 million (31 December 2021: SR 19.66 million) have been included in the accounts payable in interim condensed consolidated statement of financial position.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2022

10 SEGMENTAL INFORMATION

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

- ▶ The air conditioners segment, 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
- ▶ The steel segment, 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 segment, which is engaged in production of complete line of insulation products including fiberglass for using in thermal insulation of central air conditioners, pre-insulated pipes, glass wool, rock wool and engineering plastic foam insulations.
- ▶ Corporate and others, which are engaged in providing corporate and shared services, training and investment activities.

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

Business segments

For the nine-month period ended 30 September 2022 (SR '000)

	<i>Air conditioner segment</i>	<i>Steel segment</i>	<i>Insulation segment</i>	<i>Corporate and others</i>	<i>Total segments</i>	<i>Adjustments and eliminations</i>	<i>Consolidated</i>
<i>Revenue from contracts with customers:</i>							
External customer	1,084,450	1,617,714	153,392	764	2,856,320	-	2,856,320
Inter-segment	2,821	3,406	10,564	-	16,791	(16,791)	-
	1,087,271	1,621,120	163,956	764	2,873,111	(16,791)	2,856,320
Finance lease income	9,039	-	-	-	9,039	-	9,039
Total revenue	1,096,310	1,621,120	163,956	764	2,882,150	(16,791)	2,865,359
<i>Timing of revenue recognition:</i>							
At a point in time	816,131	1,421,847	163,956	764	2,402,698	(16,791)	2,385,907
Over time	271,140	199,273	-	-	470,413	-	470,413
	1,087,271	1,621,120	163,956	764	2,873,111	(16,791)	2,856,320
Gross profit	122,568	190,177	49,814	764	363,323	2,071	365,394
Operating (loss) profit	(10,984)	14,917	10,202	(14,420)	(285)	3,952	3,667
<i>Unallocated (expenses) profit:</i>							
Share in results of associates and a joint venture							(3,295)
Other income, net							10,107
Finance costs							(66,234)
Loss before zakat and income tax from continuing operations							(55,755)
Zakat and income tax							(15,956)
Net loss for the period from continuing operations							(71,711)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2022

10 SEGMENTAL INFORMATION (continued)

For the nine-month period ended 30 September 2021 (SR '000)

	<i>Air conditioner segment</i>	<i>Steel segment</i>	<i>Insulation segment</i>	<i>Corporate and others</i>	<i>Total segments</i>	<i>Adjustments and eliminations</i>	<i>Consolidated</i>
<i>Revenue from contracts</i>							
<i>with customers:</i>							
External customer	1,036,283	1,440,427	136,369	705	2,613,784	-	2,613,784
Inter-segment	1,292	-	11,037	-	12,329	(12,329)	-
	<u>1,037,575</u>	<u>1,440,427</u>	<u>147,406</u>	<u>705</u>	<u>2,626,113</u>	<u>(12,329)</u>	<u>2,613,784</u>
Finance lease income	9,833	-	-	-	9,833	-	9,833
Total revenue	<u>1,047,408</u>	<u>1,440,427</u>	<u>147,406</u>	<u>705</u>	<u>2,635,946</u>	<u>(12,329)</u>	<u>2,623,617</u>
<i>Timing of revenue recognition:</i>							
At a point in time	796,750	1,152,967	147,406	705	2,097,828	(12,329)	2,085,499
Over time	240,825	287,460	-	-	528,285	-	528,285
	<u>1,037,575</u>	<u>1,440,427</u>	<u>147,406</u>	<u>705</u>	<u>2,626,113</u>	<u>(12,329)</u>	<u>2,613,784</u>
Gross profit (loss)	<u>150,022</u>	<u>202,900</u>	<u>49,872</u>	<u>695</u>	<u>403,489</u>	<u>2,417</u>	<u>405,906</u>
Operating profit (loss)	7,020	38,051	12,433	(14,011)	43,493	3,970	47,463
<i>Unallocated profit (loss):</i>							
Share in results of associates and a joint venture							6,625
Other income, net							16,487
Finance costs							(37,133)
Profit before zakat and income tax from continuing operations							<u>33,442</u>
Zakat and income tax							(11,423)
Net profit for the period from continuing operations							<u><u>22,019</u></u>

At 30 September 2022 (SR '000)

	<i>Air conditioner segment</i>	<i>Steel segment</i>	<i>Insulation segment</i>	<i>Corporate and others</i>	<i>Total segments</i>	<i>Adjustments and eliminations</i>	<i>Consolidated</i>
Total assets	3,107,611	2,427,747	434,574	881,792	6,851,724	(746,675)	6,105,049
Total liabilities	2,599,363	1,774,337	150,491	1,281,494	5,805,685	(746,675)	5,059,010
<i>Others:</i>							
Investment in associates and a joint venture	-	-	-	62,969	62,969	-	62,969
Capital expenditure	4,607	11,459	3,659	1,954	21,679	-	21,679

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2022

10 SEGMENTAL INFORMATION (continued)

At 31 December 2021 (SR '000)

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

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. Capital expenditure primarily consists of additions to property, plant and equipment.

Geographic information

	<i>For the nine-month ended 30 September</i>	
	<i>2022</i>	<i>2021</i>
	<i>SR '000</i>	<i>SR '000</i>
<i>Revenue from external customers:</i>		
Saudi Arabia	2,036,337	1,912,360
Other Asian countries	460,652	335,628
Africa	368,370	375,629
	2,865,359	2,623,617
	<i>30</i>	<i>31</i>
	<i>September</i>	<i>December</i>
	<i>2022</i>	<i>2021</i>
	<i>SR '000</i>	<i>SR '000</i>
<i>Non-current operating assets:</i>		
Saudi Arabia	664,493	713,671
Other Asian countries	87,736	95,374
Africa	63,721	67,144
	815,950	876,189

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

11 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2022

11 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

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

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

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

The fair value of the Group's investment in unquoted equity shares at 30 September 2022 and 31 December 2021 was measured using Level 3 (significant unobservable inputs). The Group estimated the fair value of the investment using adjusted net asset method. The adjusted net asset method involves deriving the fair value of an investee's equity instruments by reference to the fair value of its assets and liabilities. The management believes that there have been no significant changes in the value of investment from 31 December 2021.

12 COMPARATIVE FIGURES

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

13 SUBSEQUENT EVENTS

In the opinion of management, there have been no further significant subsequent events since the period ended 30 September 2022 that would have a material impact on the interim condensed consolidated financial statements.